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World Business Newspaper http://www.FT.com TUESDAY AUGUST 13 1996

Daiwa Bank seeks tax deduction for $340m US fine

Daiwa Bank, expelled from the US and fined $340m after pleading guilty to fraud charges, has applied to the Japanese tax authorities to have the fine allowed as a tax-deductible expense. Bank officials said the application had been submitted to deduct the fine from tax as an allowable loss, in addition to other losses of Y113bn ($1bn) the company reported for the year to March. Page 12; Flip side of success, Page 10

Court verdict hits tobacco stocks: Tobacco stocks tumbled in London and New York as markets reacted to Friday's verdict by a Florida jury awarding damages of $750,000 to a lung cancer patient and his wife. Page 13

NYSE may move from Wall St: The New York Stock Exchange is considering plans to move from its historic site on Wall Street in downtown Manhattan because the existing building is running out of space. Page 5

Shake-up for Bombay index: India's most prominent stock market indicator, the BSE 30 index, is to be revised in an attempt to reflect the shifts in the profile of the country's capital markets over the past few years. Page 13

Mitsubishi's investment in its Dutch car plant was thrown into doubt after a senior executive said the Japanese group might make some vehicles in Portugal or eastern Europe unless its productivity improved. Page 4

Manila moves on companies: A Philippines court gave the government 60 days to resolve the legal status of up to 400 companies sequestered by the state after the overthrow of President Ferdinand Marcos a decade ago. Page 3

Ukraine seeks $1.5bn IMF fund: An International Monetary Fund mission began talks with Ukraine on a $1.5bn currency stabilisation fund Kiev is seeking before monetary reform proposed for autumn. Page 2

Turkey signs $20bn Iran oil deal: Turkey signed a $20bn deal to import natural gas from Iran in defiance of a US threat to take action against companies investing in Iran. Page 4

Bayer, the German pharmaceuticals and chemicals group, lifted first-half profits by 13 per cent to DM2.7bn ($1.82bn). Page 15

French police shift hunger strikers: French police stormed a church in Paris sheltering 300 immigrants staging protests against efforts by the government to deport them. The police removed 10 hunger-strikers to hospital. Page 2

India firm on nuclear test ban veto: Indian foreign minister I.K. Gujral said the country would not bow to international pressure to remove its threat to block a global nuclear test ban treaty.

Sanyo executive abducted in Mexico: An executive of a US subsidiary of Sanyo was abducted by an armed group near the northern Mexican city of Tijuana and the company has received a $2m ransom demand for his release.

Iran sues US over 'covert action': Tehran plans to sue the US in the Hague over Washington's reported allocation of $20m for covert action against Tehran.

Cricket: Pakistan drew the second Test against England at Headingley, Leeds, to maintain a 1-0 lead in the three-match series. Scores: Pakistan 448 and 242 for seven, England 501.

Seoul students clash with police

About 1,000 students clashed with Seoul riot police who stopped a march to call for the unification of North and South Korea. About 60 people were injured in scuffles that began after police fired teargas at students trying to break through a cordon outside Seoul university.

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STOCK MARKET INDICES			GOLD		
New York lunchtime			New York Comex		
Dow Jones Ind Av	5,682.64	(-27.37)	(Dec)	$393.4	(393.3)
NASDAQ Composite	1,131.88	(-6.32)	London		
Europe and Far East			close	$387.8	(387.7)
[illegible]	1,878.17	(+11.37)	DOLLAR		
[illegible]	2,528.18	(+2.54)	New York lunchtime		
[illegible]	2,883.5	(-7.4)	£	1.5575	
[illegible]	20,895.65	(+115.56)	DM	1.4772	
US LUNCHTIME RATES			FFr	5.0625	
Fed Funds	5¼%		SFr	1.2017	
3-mo Treas Bills: Yld	5.131%		Y	107.895	
Long Bond	100¼		London		
Yield	6.791%		£	1.5516	(1.5488)
OTHER RATES			DM	1.4783	(1.4784)
UK 3-mo interbank	5¾%	(same)	FFr	5.048	(5.054)
UK 10 yr Gilt	97¼	(same)	SFr	1.2035	(1.2036)
France: 10 yr OAT	106.28	(106.37)	Y	107.875	(108.115)
Germany: 10 yr Bond	98.67	(98.79)	STERLING		
Japan: 10 yr JGB	[illegible]	(96.8262)	DM	2.2935	(2.2907)
NORTH SEA OIL (Argus)			Tokyo close	Y 108.05	
Brent 15-day (Oct)	$20.995	(20.03)			

Austria Sch20	Gibraltar £0.75	Lithuania Lit 15.00	Qatar QR13.00
Bahrain Din1.20	Greece Dr400	Lux LFr75	S.Arabia SR12
Belgium BFr75	Hong Kong HK$20	Malta Lm0.85	Singapore S$4.30
Bulgaria Lv150	Hungary Ft230	Morocco MDh16	Slovak Rp Sk65
Cyprus £1.20	Iceland IKr230	Neth Fl 4.75	S. Africa R12.00
Czech Rp Kc60	India Rs75	Nigeria Naira60	Spain Pta250
Denmark DKr18	Israel Shk7.80	Norway NKr22.00	Sweden SKr20
Egypt £E5.00	Italy L3800	Oman OR1.50	Switz SFr3.70
Finland FM 22	Japan Y500	Pakistan Rs40	Syria S£85.00
France FFr16.50	Jordan JD1.50	Poland Zl 5.80	Tunisia Din1.750
Germany DM4.00	Kuwait Fils.650	Portugal (m'land) Esc240	Turkey L90,000
	Lebanon L£3,000		UAE Dh12.00

US Republicans hope for boost from Powell

By Jurek Martin in San Diego

The Republican party's national convention began yesterday preoccupied less with the new presidential ticket of Mr Bob Dole and Mr Jack Kemp than with its main opening night attraction – retired General Colin Powell.

Party managers were hoping that the appearance by the former head of the joint chiefs of staff would broaden the Republican base by emphasising the diversity of opinion that the very conservative party platform lacks. The selection of Mr Kemp as Mr Dole's running-mate has had a positive effect. Three opinion polls in the past 24 hours had President Bill Clinton's lead down to 9-12 points, though three others had it in the 19-20 point range.

Most showed support for Mr Ross Perot, whose Reform party held the first part of its convention on Sunday night, dropping to around 10 per cent or less, half the 19 per cent he won as an independent in 1992. That is good news for the Republican ticket, since Mr Perot, who told his party, "I want to be your president", has the capacity to divide the anti-Clinton vote.

Republican party officials were relieved yesterday when Mr Pat Buchanan, excluded from speaking at the convention, endorsed the Dole-Kemp ticket.

In a speech on Sunday night, the rightwing candidate had not endorsed Mr Dole, the certain nominee, mentioning his name only once in passing, but had said he would not form a third party.

Mr Dole has said that he has neither read nor feels bound by the platform, the adoption of which was the first order of business yesterday. Instead, he intends to concentrate on his tax-cutting economic message of "growth and opportunity".

The platform includes a demand for a constitutional amendment to ban abortion, the end of affirmative action programmes for minorities, tighter controls on immigration, the abolition of several government departments, and declares that US troops should never serve under foreign commanders, as in UN peacekeeping operations.

Mr Powell, who became a Republican only last year, is the sole speaker whose remarks have not been subject to prior approval by Mr Dole's floor managers at a convention tightly scripted for the best television exposure.

His support for abortion rights and for affirmative action is a matter of record, as is the fact that he is the son of Jamaican immigrants. On these issues there are clear differences with the party's dominant social and religious conservatives.

He can be expected to draw comparisons between his own American Journey (the title of his biography) and the rise of Mr Dole from poverty in Kansas to one step below the political pinnacle. This can only benefit the Republican nominee, especially if Mr Powell changes his mind and campaigns actively for Mr Dole.

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Russian security chief may be given more power

Lebed lifts hopes of Chechnya ceasefire

By John Thornhill in Moscow

Mr Alexander Lebed, Russia's national security chief, raised hopes of an immediate ceasefire in the 20-month Chechnya conflict when he visited the troubled separatist region yesterday.

But the ambitious former general said he could only work toward a longer-term political solution if he was given more powers to coordinate every aspect of Russian policy towards the region.

The rising star of the Kremlin, who is open about his aspirations to become president, accused unnamed rivals of playing political games over Chechnya and wanting him to "break his neck over this assignment".

However, the secretary of the influential Security Council said president Boris Yeltsin would soon sign a decree giving him a stronger hand to tackle the crisis. "I like the tasks of the highest order of difficulty. They excite me," he said.

In an attempt to initiate a dialogue, Mr Lebed met senior rebel Chechen leaders in the early hours of yesterday morning, just south of the regional capital of Grozny. Mr Lebed and the Chechen representatives described the meeting as positive and said it had led to direct talks between the local Russian and Chechen military commanders about a ceasefire.

But yesterday's meeting appeared to have no immediate effect in Grozny, which has been the scene of ferocious fighting over the past week and has resulted in hundreds of casualties.

Russian correspondents, sheltering in basements, reported that fierce gun battles were continuing to rage across the city.

On returning to Moscow Mr Lebed launched an attack on the state of the Russian armed forces in Chechnya, which he said had even fired on his convoy by mistake.

He added that the partisans in world war two were in a better state than the "hungry, lice-ridden and under-clothed weaklings" that he had seen in the region.

Mr Lebed said it was obvious that the state commission for settling the Chechen conflict, headed by Mr Victor Chernomyrdin, the prime minister, had failed in its task. "There is no clarity on who should take decisions, where, when and how, let alone the issue of who is responsible for their implementation," he said.

Mr Lebed also poured scorn on the Russian policy of propping up a puppet Chechen regime headed by Mr Doku Zavgayev. The plain-speaking former general accused Mr Zavgayev of self-aggrandising lies, saying his influence only extended to the city's heavily-defended airport.

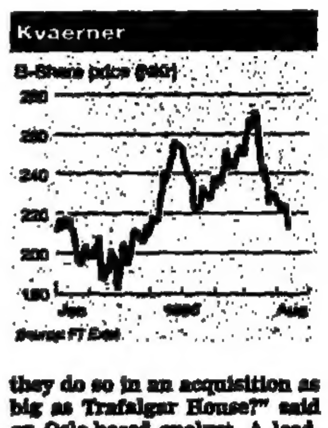
According to Mr Lebed, some Chechen separatist leaders might be prepared to accept a political settlement similar to a power-sharing agreement signed between Moscow and the largely Moslem republic of Tatarstan in 1994. Located in central Russia, Tatarstan has a large degree of autonomy over economic and domestic affairs, but remains a part of the Russian Federation.

Russia's national security chief Alexander Lebed told a news conference in Moscow that president Boris Yeltsin would soon give him a stronger hand to tackle the Chechen crisis Picture: Reuter

Editorial Comment, Page 11

Kvaerner blames 'flagship' sectors for profits fall

By Greg McIvor in Stockholm



Kvaerner, the Norwegian engineering and shipbuilding group, yesterday blamed weaker second-quarter performance across its flagship operating divisions for a 56 per cent slide in first-half profits.

However, the group said earnings from its Trafalgar House-related activities were in line with expectations and had marginally outweighed the costs incurred to date by the £904m ($1.4bn) acquisition of the UK company in April.

Group pre-tax profits in the six months to June fell from NKr1.6bn ($251m) a year before to NKr706m, including NKr586m of one-off gains. The decline, significantly worse than average market forecasts, triggered a NKr8 drop in Kvaerner's shares to NKr234.50.

Mr Jan Magne Heggelund, chief financial officer, attributed the profits erosion to "extremely disappointing" returns from Kvaerner's pulp division and "unsatisfactory" results from its oil and gas operations. Shipbuilding activities also weakened amid slower orders.

Analysts questioned whether the burden of turning round Trafalgar might prove too heavy for Kvaerner, which has arranged a £450m two-year bridging loan to finance the purchase.

"If they cannot turn around their own businesses, how can they do so in an acquisition as big as Trafalgar House?" said an Oslo-based analyst. A leading institution in London said it was considering downgrading its hold recommendation for Kvaerner's shares.

But Mr Heggelund said Kvaerner had been encouraged by the performance at Trafalgar House, now subsumed into its revamped operational structure. "From where [Trafalgar House] are coming from – they made a loss of £320m last year – it is a significant improvement," he said.

Kvaerner said its construction activities, mostly inherited from Trafalgar, suffered a NKr8m loss in the two months following acquisition due to fierce competition in the UK market. Its John Brown chemical process plants made pre-tax profits of NKr15m in the

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Thyssen plans legal action in protest at chief's arrest

By Michael Lindemann in Bonn

Thyssen, the German steel and engineering group, whose chief executive and nine other executives were arrested last week, yesterday said it would bring charges against the Berlin public prosecutors for unlawful arrest, describing the manner of the detentions as "monstrous".

Mr Mark Wössner, the chief executive of the Bertelsmann media group and a close friend of Mr Dieter Vogel, Thyssen's chief executive, said the 10 arrests seemed to be the result of a campaign by someone associated with the company.

In an unusually public finger-pointing by German standards, Mr Wössner said the role in the campaign of Mr Hans Jakob Zimmermann, a former Thyssen executive, was "interesting".

Mr Zimmermann was forced to resign last December after it emerged that he had used company funds to build himself a villa. Mr Zimmermann, now an executive at the Allkauf Warenhaus retail group, yesterday declined to comment on Mr Wössner's suggestions.

The Thyssen arrests were made by prosecutors investigating alleged fraud during the privatisation of a former East German metals company. The executives have since been released but must get the prosecutors' approval for travel outside Germany.

The Thyssen case is believed to be the first time in German postwar history that a chief executive of a leading listed company has been arrested at work. Thyssen's shares, which fell DM5.45 on Friday as news of the arrests emerged, edged up 15 pfennigs yesterday to close at DM282.35.

Prosecutors allege that Thyssen owes the German state DM73m (£31m) after the takeover of AHB-Metallurgiehandel, the former state-owned East German agency. In another unusual step, Mr Heinz Kriwet, Thyssen's chief executive until March, when he moved to head the non-executive supervisory board, wrote to the group's 120,000 employees, saying there were no "comprehensible reasons for the gross activities of the Berlin public prosecutor".

Mr Vogel, said in a statement: "The most recent activities of the public prosecutor had exceeded all permissible dimensions." He added that he and the nine other Thyssen executives felt they had been "deceived" by the prosecutors.

"The prosecutors deliberately led us astray. Instead of an investigation concentrating on the facts at issue, they have engineered a completely unjustifiable escalation, damaging the reputation of the people involved and, worse still, one of the best-known companies."

Mr Rüdiger Reiff, spokesman for the Berlin public prosecutor, could not be contacted for comment yesterday.

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Romania forced into forex controls

An energy crisis threatens because of difficulty meeting bills for imports, writes Virginia Marsh

A looming energy crisis has prompted Romania to introduce stringent foreign exchange controls, including a requirement for some companies to surrender export earnings.

A shortage of hard currency has compelled Portexport, Romania's main oil trading company, to reschedule import payments, while some international oil traders say they have stopped or reduced supplies because of unpaid bills. The slump in oil imports is depleting stocks earmarked for winter, and shortages of petrol are forcing periodic closure of filling stations.

The country's hard currency problems are a direct consequence of the authorities' decision in March effectively to close the inter-bank forex market, and their refusal to allow the leu to fall to its market value ahead of November's general election. This has encouraged exporters to make forex transactions at more favourable rates outside the banking system or to hoard hard currency earnings.

The energy crunch has been exacerbated by repeated delays in adjusting local energy prices to world levels. This has enabled inefficient state industries to delay full restructuring and to continue to consume disproportionate amounts.

Under the new regulations, refineries and 100 energy-intensive industrial companies – including large concerns such as Sidex Galati, one of Europe's largest steel producers, the car manufacturer Dacia, and several chemical producers – are obliged to use hard currency export earnings to settle their energy bills with state utilities.

In addition, foreign exchange proceeds from privatisation and from exports of wheat, vegetable oils and timber are to be surrendered and placed in a central bank fund. This may be used to finance energy imports directly, at the request of the industry ministry.

Central bank officials are understood to have opposed the measures.

The governing Party of Social Democracy, the core of the group of former Communists that have held power since 1989, is battling to boost its popularity before November after performing poorly in June's local elections.

The country experienced similar shortages earlier this year, after an unexpectedly harsh winter. The interruption in supplies to industry, coupled with an overvalued currency, contributed to a 10 per cent slump in exports in the first half. Two state banks financed the bulk of extra energy purchases needed but ran down their foreign exchange reserves in the process – something the central bank does not want repeated.

The reduction in oil imports is depleting stocks that have been earmarked for winter

Local bankers say that, by targeting primarily state companies with the new measures, the authorities hope to minimise the impact on private investors during the country's ambitious privatisation drive.

But at least one majority foreign-owned enterprise is on the list of 100 affected companies, along with many that have been partially privatised or are included in the government's sell-off scheme. Commodity dealers and farmers will also be hit by the inclusion of the three commodities.

Bankers say it is not unreasonable for large energy users to fund their import bills directly but add that the companies involved will face a considerable disadvantage over others, given the disparity between the official and parallel rates of the leu. The central bank's reference rate is around 3,130 lei to the dollar while the rate in licensed exchange houses is about 3,600 lei.

There is also widespread doubt about the effectiveness of the measures – which technically have already come into effect – and bankers say they need clarifying. "There are considerable uncertainties and many fear the government may add other companies or sectors to the list. It is all very unsettling," said a western banker in Bucharest.

Some industrial companies, for example, export via intermediaries and it is not clear whether, or how, such earnings will be collected.

The measures could also make it even harder for companies to secure funds for non-energy imports. "Until now, even though there was no liquidity in the inter-bank market, importers could at least acquire hard currency in the parallel market from big exporters," said a local banker. "Under the new rules, they are also denied this source."

The country's foreign exchange problems have already strained relations with the International Monetary Fund. The Fund froze disbursements to Romania after the March decision to limit market-making in the inter-bank market to three powerful state banks and one private local bank. These have subsequently maintained the leu at a politically-acceptable rate.

In May, the central bank – which, at the time, was marketing the country's first post-communist international bond – said it intended shortly to relicense other banks as market-makers but then failed to do so.

It has, however, stuck to its promise to use money raised on international capital markets to build up reserves, rather than to fund imports. Bank officials said last week that currency reserves, excluding gold, had risen above $800m from less than $300m earlier this year.

Police storm Paris church and remove hunger-strikers to hospital

Immigrant issue hots up in France

By Andrew Jack in Paris

Some 300 immigrants facing deportation have been camped out in Saint-Bernard church in Paris Reuter

French police yesterday stormed a church in Paris sheltering 300 immigrants who are staging protests against efforts by the government to deport them and removed 10 hunger-strikers to hospital in what the Paris prefecture said was a humanitarian move.

The 10 had been on hunger strike in the Saint-Bernard church for 39 days. The action triggered an angry reaction from a number of organisations which have criticised immigration policy, while those still in the church pledged that the hunger strike would continue. Some of the 10 signed themselves out of hospital and had returned by last night, others joined in the hunger strike.

Tensions have been growing in the past few months between immigrant groups and the French government. The latter has taken an increasingly tough line against those judged to be illegally present in the country, against a backdrop of rising unemployment, economic stagnation and vociferous pressure from the far right, led by the National Front.

Mr Jean-Louis Debré, the interior minister, has reinstituted a controversial policy of chartering aircraft to send illegal immigrants back to their country of origin.

The conflict began in March, when 430 Africans without legal documents occupied the Saint-Ambroise church in Paris to demand the right to continue to live in France. In a move which divided humanitarian groups, the police evicted them four days later at the request of the church hierarchy.

They subsequently moved to a school hall, a former munitions depot, and a railway warehouse before some ended up in the church in Paris's 18th arrondissement, and appointed a group of 26 French mediators to help negotiate their situation with the state.

Of the 230 whose documents were re-examined by the state in June, 22 were considered legitimately present in France. The government has refused subsequent meetings with the mediators.

The situation was aggravated by a parliamentary report published in April which called for firmer implementation of changes to the immigration code enshrined in the Pasqua law of 1993, named after the then interior minister.

Ms Monique Chemillier-Gendreau, a professor of international law, who is among the mediators, said yesterday the 1945 ordinance on which all subsequent French immigration rules had been based was "outdated and full of aberrations". She called for a national debate on a new immigration policy.

She said she had helped examine the situation of many of the immigrants in the church, and stressed that most had jobs and paid taxes even if they carried out work illegally. "They accept working conditions that the French would not accept."

Examples of those now judged to be in an "irregular" situation with the authorities include men working legally who had brought their wives from their country of origin, or whose children were born in France. Others were asylum-seekers, including a number from Algeria.

"I think the French government does not know how to handle the current economic crisis and is trying to find scapegoats," she said. "It is also giving too much importance to the views of the extreme right."

Numbers game fails to amuse Telekom

By Michael Lindemann in Bonn

A German directory inquiry service opened in competition with Deutsche Telekom was withdrawn yesterday after the state telecommunications monopoly threatened legal action.

The service, started last month by Mr Sven Herzog, a telecoms engineer from Trier in the Mosel valley, charged local residents 12 pfennigs (8 pence) per inquiry. Deutsche Telekom's new directory inquiry service costs 60 pfennigs.

To cover his costs Mr Herzog ran a 15 second advertisement before callers were connected. He had created one new job, with a second on the way. He said yesterday he had agreed to stop the service rather than take on Deutsche Telekom's lawyers. "I have no desire to die a martyr," he said.

Deutsche Telekom, which is soon to be privatised, said it was taking legal action against Mr Herzog because he was using names and addresses from compact disks which had been illegally copied in China and were themselves the subject of a legal dispute.

Mr Herzog said the CDs contained the same information as the telephone books. The preface of each book stated explicitly, he said, that the information in it was public and might be resold, and that this position was reinforced by the *Bundesdatenschutzgesetz*, the law covering the publication of personal data.

"It's amazing," said an executive working for an international telecoms group in Bonn. "It seems that Deutsche Telekom is now trying to monopolise the directory market which was never a monopoly in the first place."

The showdown with Herzog Telecom comes at a particularly sensitive moment for Deutsche Telekom.

Just months before its share issue, to which it hopes to attract thousands of private German investors, the company is extremely sensitive about its image.

It was warned last week by the government official responsible for data protection that its latest plan to offer an expanded directory service, including professions and addresses, might run foul of the data protection guidelines.

IMF holds Ukraine currency talks

By Matthew Kaminski in Kiev

An International Monetary Fund mission yesterday began talks with Ukraine on a $1.5bn currency stabilisation fund the Kiev government is seeking ahead of monetary reform proposed for this autumn.

Ukraine would be the first country to use a mechanism, approved at last year's IMF annual meeting, intended to instil confidence in a struggling economy by insuring against drastic exchange rate swings.

The government made a political commitment recently to introduce a new currency, the hryvna (an Old Slavonic term for beads used in trading during the Kievan Rus period) to replace the karbovanets, or coupon, which carries the stigma of hyperinflation: a loaf of bread costs about 100,000 karbovanets (57 cents).

But a broader role for the IMF carries its own risks. A western official in Kiev said the fund "will be very cautious since they've never done this before".

The IMF said it probably "could not move that quickly" to have the mechanism in place by early autumn, as some Ukrainian officials have proposed, and it would seek very tough conditions on budget and monetary policy.

Some IMF member states, particularly the Europeans, are eager to see whether Ukraine can keep the economy on course through December – when the current $900m IMF stand-by arrangement ends – before agreeing a new facility.

Last year Ukraine abandoned plans for the hryvna – again backed by the IMF – after an upsurge in inflation in the summer. This year, monthly inflation in June and July held steady at 0.1 per cent, although a one-off jump is expected this month following government reductions in rent subsidies.

Growing capital inflows and a tight monetary policy are strengthening the karbovanets, trading at 175,000 to the dollar. Central bank reserves are estimated at $1.5bn-$2bn.

The hryvna's introduction would provide an ideal opportunity for the government to introduce a fixed hard currency peg or a narrow trading band for it – another condition of IMF support.

The Fund also wants firm assurances that the currency would be introduced without a cap on the amount of karbovanets that could be exchanged for it. Businesses or individuals with significant karbovanets holdings fear parliament or the government might opt for a confiscatory exchange policy.

The longer term economic fundamentals remain weak, however, as the IMF yesterday held discussions on a three-year loan of $3.1bn to follow the current $900m stand-by arrangement.

Gross domestic product fell 8.7 per cent in the first half of the year, and western economists worry that low inflation and a strong currency could prove illusory unless growth picks up soon. The IMF will be putting greater emphasis on privatisation, taxation reform and an improved regulatory climate for investment in the next loan agreement.

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Push to end Brussels row with Saxony

By Judy Dempsey in Bonn and Neil Buckley in Brussels

Mr Günter Rexrodt, Germany's economic minister, has asked for a meeting with Mr Karel Van Miert, European Union competition commissioner, in an attempt to resolve a damaging dispute between the east German state of Saxony and the European Commission.

The call emerged as Saxony insisted again yesterday it would take the Commission to the European Court of Justice over Mr Van Miert's decision to block DM241m ($164m) of a state aid package by Saxony to Volkswagen, the car manufacturer.

The meeting was requested in a letter from the German federal government, which had been given until this weekend to respond to demands from the Commission for information on the Volkswagen case.

Mr Van Miert's staff are examining the letter, and said a meeting with Mr Rexrodt might be possible before the end of the month. It was announced the Saxony government had sent a letter to the Commission setting out the reasons for its decision to pay the aid in full to Volkswagen, despite the Commission's ruling.

Saxony, governed by Mr Kurt Biedenkopf, a senior member of Chancellor Helmut Kohl's ruling Christian Democratic Union party coalition, appears to be in little mood for compromise.

"We are confident we have the right to grant these subsidies to Volkswagen. We stand by our original decision to grant them, and to go to court. Bonn is backing us," said Mr Armin Reck, spokesman for Saxony's economics ministry.

Saxony has until September 17 to prepare the charges against the Commission. Mr Rexrodt wants to resolve the dispute and has conceded Saxony had broken EU law, but Bonn has not attempted to rein in Saxony.

It fears a possible anti-European backlash when the five east German states are going through high unemployment and low growth, and the media in Saxony repeatedly compares EU treatment of Volkswagen with generous grants recently allocated to Air France.

The Saxony media has been backed by Germany's influential industry confederation which has said every German state government had the responsibility to fight for every job.

While Saxony and VW both have the right to challenge the Commission's ruling in the court, the Commission is hampered by the fact it cannot act legally against Saxony, but can only bring legal action against the German federal government in Bonn.

EUROPEAN NEWS DIGEST

Solana warns Bosnian Serbs

Nato's secretary-general, Mr Javier Solana, warned yesterday that he would not tolerate Bosnian Serb military violations of the Dayton peace agreement. His remarks followed the blocking at the weekend of a Nato site inspection at Serb army military headquarters.

As the 50,000-strong Nato-led peace force was put on a heightened state of alert throughout Bosnia, Mr Solana said we would tell the Bosnian Serbs "that we are not going to accept any violations and that [Nato] will react as rapidly as possible if we find any single violation".

Mr Solana yesterday met Bosnian Serb officials in their stronghold of Pale in an effort to break the deadlock over the inspection site. After talks with Bosnian Moslem and Croat officials earlier in Sarajevo to discuss the country's first post-war elections, set for September 14, Mr Solana said: "We want to achieve the aim that we signed in Dayton, which is to construct a Bosnia-Hercegovina, one country with two entities, in which people can look forward into the future instead of looking back into the past." *Laura Silber, Sarajevo*

German shop talks setback

Talks on a wage deal for 175,000 shopworkers in the German state of Hesse collapsed yesterday after the HBV union rejected the latest offer from retailers, saying the proposals watered down demands for extra allowances for extended shift working.

After four months of talks, unions and employers in Rhineland-Palatinate this month struck a deal which was expected to be a model for other states in a pay round complicated by a change in legislation which liberalises shop opening hours from November. Progress has proved elusive, however, as unions elsewhere held out for better allowances for workers who will be asked to work longer shifts, though the Rhineland-Palatinate pay rise of 1.85 per appears acceptable to most union officials. The unions have called scattered strikes to back their claims.

● The employers' association Gesamtmetall yesterday predicted 120,000 job losses in the metal industry this year as a result of salary increases agreed with unions last year. *Reuter, Frankfurt*

Demirel vetoes press curb

Turkey's President Süleyman Demirel yesterday vetoed a bill limiting newspapers' right to mount promotion campaigns, saying it threatened freedom of the press. Most Turkish newspapers carry coupons which readers can collect towards "gifts" ranging from new cars to crockery or curtains.

The new Islamist-led coalition government wants to regulate promotions, claiming they abuse readers. Mr Demirel's office said he vetoed the bill because enforcement would be by a politically-appointed tribunal rather than a court. The fines – $12,000 for each day a publisher violated the law – "are too high and threaten the supremacy of law and the constitution".

Publishers fear this would have established a precedent for even tighter media controls. Strict press laws already limit news reporting and journalists suffer frequent intimidation. *John Barham, Ankara*

Dutch tax cut no bar to Emu

The Netherlands will meet targets for European monetary union even if it cuts taxes on lower incomes by Fl 6bn ($3.6bn) next year, the state Central Planning Bureau has advised the cabinet in a leaked memo. The tax cut would raise the forecast budget deficit for 1997 from 2 per cent to 2.75 per cent of gross domestic product, within the Maastricht treaty limit of 3 per cent. Last year the deficit was 3.7 per cent. Dutch debt, 79.6 per cent of GDP last year, would fall at a rate likely to be considered acceptable for admission to Emu. The official Maastricht target is 60 per cent.

The tax reduction would also keep purchasing power at present levels for all income groups, and would raise expected GDP growth for 1997 from 2.5 to 2.75 per cent. The cabinet meets on Thursday to start discussing next year's budget, which will be presented to parliament in September. *Simon Kuper, Amsterdam*

Nice strikers halt flights

Strikers at Nice airport voted yesterday to continue a protest that halted flights by Air France, the state-owned national carrier, and its subsidiary Air France Europe at the weekend. Private-sector AOM and Air Liberté and foreign airlines were still operating normally. The Force Ouvrière union said the dispute over a wage demand might spread to other airports, such as Marseilles and Bordeaux, if negotiations failed. *Reuter, Paris*

Italian police swoop in south

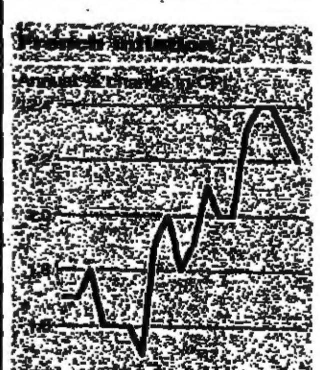
Italian police have seized goods and property worth L450bn ($300m) from 10 businessmen as part of a probe into organised crime in southern Italy, police said yesterday. Cars, houses and companies belonging to the 10 men were seized during overnight raids in towns near Naples. The businessmen were believed to have close ties with organised crime group in Naples. *Reuter, Naples*

Romanian copper caper plea

Romanian police appealed to criminals yesterday to spare the country's railway system after a spate of thefts of copper wiring for signals and train brakes. They arrested six youths in Ploiesti, north of Bucharest, for stripping railway equipment of copper for recycling into stills to make plum brandy. At the teenagers' homes they found three tonnes of wagon brakes, worth 2.5m lei ($800), and more copper. *Reuter, Bucharest*

ECONOMIC WATCH

Prices decline in France



French consumer prices fell 0.2-0.3 per cent in July, according to official figures, giving a further sign of the sluggish state of the economy. The national statistical institute said the monthly decline followed a 0.1 per cent rise in June; inflation over the past 12 months had been in the range 2.2-2.3 per cent. The finance ministry said the decline was a normal seasonal drop, reflecting summer sales and a fall in the price of fresh produce. It also cited cyclical factors, including a fall in petrol prices, railway fares and telephone tariffs. The seasonally-adjusted inflation figures for July will be published later this month. *Andrew Jack, Paris*

■ French official reserves rose by FFr528m ($105m) in July to FFr303.524bn.

■ German monetary reserves rose DM400m ($270m) to DM119.6bn in the week to August 7, the Bundesbank said. Foreign liabilities in the week were down DM100m to DM16.5bn.

■ Italy's industrial output fell 6.3 per cent in June from a year earlier, but was up 1.5 per cent for the six months to June.

Five held in HK Bond case

By John Ridding in Hong Kong

Hong Kong's commercial crime bureau yesterday arrested and charged five people in connection with a long-running probe into the break-up of Mr Alan Bond's former corporate interests in the territory.

The bureau said charges of bribery and conspiracy to defraud followed a probe into the 1990 takeover of Bond Corporation International Holdings (BCIL) by Tomson Pacific, an investment group then headed by Mr Stanley Ho, the Macao casino and property entrepreneur.

A 1994 report into deals connected with the former commercial interests of Mr Bond, the Australian businessman, and a subsequent investigation, focused on whether companies had acted in concert with Tomson Pacific in the acquisition of World Trade Centre Group, (WTC), once BCIL.

In 1990, Tomson bought 34.5 per cent of WTC, just short of the 35 per cent level which would have triggered a general offer. Mr Bond's remaining stake in WTC, which was just over 30 per cent, was placed with 16 other buyers. Regulators suspected these buyers acted in concert with Tomson Pacific.

Tomson Pacific, which was renamed Pudong Development in 1994, is involved in property investment and development on the Chinese mainland, securities trading and investment holding.

The commercial crime bureau said those arrested have been charged with conspiracy to defraud, offering an advantage to an agent and accepting an advantage to an agent – official terms for bribery. They included Mr David Tong Cun-lin, Pudong Development managing director. In a court hearing later in the day, the five were freed on bail ranging from HK\$1m (\$129,000) to HK\$20m, with matching sureties. The case has been adjourned until August 27.

The investigation, which dates since early 1992, is seen as a test of the Hong Kong authorities ability to prosecute complex cases of financial malpractice and comes on the heels of prosecutions in other long-running cases of alleged fraud.

Last month, Mr Chim Pui-chung, representative of the financial services industry in Hong Kong's legislature, was charged with fraud and conspiracy to forge. Also last month, Ms Chen Po-sum, former vice-chairman of the territory's stock exchange was charged with soliciting and accepting bribes.

Philippine exports: racing ahead of the neighbours

Source: Crosby Securities, Lehman Brothers

Philippines bucks the trend for slower export growth

Cheap electronics and textiles give the edge to Asia's rising trade star, writes Edward Luce

When super-typhoon Angela struck the Philippines last November and caused enough devastation to the vital coconut and other farming businesses to push agricultural output into reverse, most people thought the damage would work its way through into the country's export figures.

It did. But it did not stop the Philippines from registering the fastest export growth in Asia this year.

The lack of growth in the country's agricultural sector – previously the mainstay of Philippine exports – served only to mask the full strength of an upward trend in manufacturing exports.

"Five years ago we were so dependent on coconut and other agricultural exports that an event like the super-typhoon would have pushed total exports downwards," said Mr Sergio Luis Ortiz, president of the Philippine exporters confederation.

Though down from last year's record 28 per cent growth – mirroring the downturn throughout the region – exports so far this year have grown 21 per cent.

"Imagine what would have happened if the weather had been good," said Mr Luis Ortiz.

Receipts from coconut and coconut derivative shipments, the Philippines' third largest export, have dropped by 37 per cent since January. Exports of woodcraft and furniture, the sixth largest category, are stagnant. But earnings from electronics and electronic components, the country's largest export category, have grown by 55 per cent.

In other words, the Philippines is no longer a commodity-based economy.

Regional economists say that the reason the Philippines has largely escaped the general slowdown in export growth is that it is at an earlier stage of economic development than most of its neighbours. Cheap electronics – only 20 per cent value is typically added to computers and semiconductor chips in the Philippines before re-export – and textiles and garments are competitively undercutting their more mature counterparts in the rest of south-east Asia.

At the same time, with 6.2 per cent gross national product growth in the first quarter of 1996 – up from 5.7 per cent for 1995 as a whole – the Philippines is one of the few economies in the region whose growth is accelerating. GNP growth is projected to reach 8 per cent by 1998 when neighbouring economies are expected to slow.

"Thailand and Malaysia have reached the stage where they are no longer competitive in the less developed export industries like textiles and simple electronics," said Mr Neil Saker, an economist at Crosby Securities in Singapore. "They are going through a transition stage. In contrast, the Philippines is beginning to take off at the lower value-added end so it is shielded from the global downturn affecting the others."

Electronics exports grew more than 80 per cent last year from almost nothing in 1992 and are now just less than 40 per cent of total export receipts.

Investments by Taiwanese computer and computer parts companies – notably in Subic Bay Freeport, the former US naval base – and US companies such as Intel, which will put \$350m into a pentium chip testing plant and flash memory chip production in Cebu over the next three years, have transformed the country's export profile.

Plant expansion by Japanese investors, including Matsushita, Fujitsu and Hitachi, all of whom are making hard disk drives in Philippine special economic zones, has gathered pace over the last 12 months. Government economists are now talking about \$80bn in exports by 2000. The figure last year was \$16bn.

Not all, however, is rosy on the trade front. With imports continuing to outstrip exports at 25 per cent growth so far this year, the absolute trade deficit – as opposed to its relative proportion of GDP – has increased. Philippine economists know that the country must rapidly boost sluggish domestic savings if the investment/savings gap is not to widen further.

For the time being, though, strong remittances from Filipinos working abroad and healthy foreign direct and portfolio inflows have combined to keep the capital account in surplus of \$2.5bn for the first six months of 1996, some 3.5 per cent of GDP.

"What we would like to see is the gradual depreciation of the peso to kickstart our agricultural industry back to life," said Mr Luis Ortiz. "Admittedly this will have no effect on our electronics industry because of its dependency on imports, but it will give a much-needed boost to our impoverished rural population who continue to be plagued by bad luck."

Action ordered on companies

By Edward Luce in Manila

The Philippine Supreme Court yesterday instructed government lawyers to resolve within 60 days the legal status of up to 400 companies sequestered by the state in the aftermath of the revolution which overthrew the late President Ferdinand Marcos a decade ago.

The government alleges the sequestered shares, which include stakes in San Miguel, the Philippines' biggest beer company, and the Philippine Long Distance Telephone company (PLDT), its largest telecoms group, were gained by dishonest means by close associates of President Marcos.

The government claims that more than \$5bn was appropriated by the Marcos family between 1972 and 1986, most of it in bank accounts overseas.

After President Marcos' overthrow, the government set up the presidential commission on good government (PCGG), to administer the stakes in the companies, which since the sequestration were either partly or wholly controlled by government nominees. The PCGG has yet to submit one court action case against the former owners.

The Supreme Court, which said the government must prove the shares were acquired on the basis of "ill-gotten wealth" or return the assets to their original owners, last month ordered the PCGG to restore ownership of an island resort to Mr Alfredo Romualdez, brother of Imelda Marcos, the former first lady.

"The point about the sequestered assets is that it's not a hunt for gold: it's an attempt to establish rightful ownership," said Mr Ian Roberts, chief investment officer at Canada Sun Life Assurance in Manila, one of the largest investors in the Philippine capital market. "But you cannot indefinitely accuse people of wrongdoing without submitting any proof."

Lawyers at San Miguel, which is debarred from issuing new equity, have complained the protracted dispute has inflated the cost of its operations.

Malaysia welcomes Burmese leader

By James Kynge in Kuala Lumpur

Malaysia extended a full state welcome yesterday to the head of Burma's military government, stressing the determination of members of the Association of South-east Asian Nations (Asean) to embrace Rangoon despite western objections.

General Than Shwe, chairman of Burma's ruling State Law and Order Restoration Council (Slorc), was received by Malaysia's King Ja'afar Abdul Rahman in Kuala Lumpur's Parliament Square. He was given a 21-gun salute and inspected an honour guard of 103 troops.

The warm welcome is likely to irritate the European Union and the US which have criticised Burma's human rights record and its alleged tolerance of drug-trafficking activities.

They have also supported moves to isolate the military leadership in an effort to force democratic reform in the country. US pressure groups in particular have been at the forefront of a campaign to convince multinationals to withdraw from Burma.

Last month, Heineken, the Amsterdam-based beer multinational, announced its withdrawal from a \$30m brewery venture in Burma in face of intense public pressure. Its decision follows a similar move by Carlsberg of Denmark to abandon plans to build a brewery in Burma.

But Asean, which groups Malaysia, Thailand, the Philippines, Singapore, Brunei, Vietnam and Indonesia, has made it clear it will not accept western influence on its policy towards Burma.

Last month, Denmark called for trade sanctions against Burma, following the death in jail of its honorary consul.

Ms Aung San Suu Kyi, the opposition leader whom the military are trying to press into exile, has said multinationals should stay away until democracy is restored. She has urged foreign tourists to do the same.

Asean, which regards the admission of Burma into its ranks as an important counterbalance to China's growing military and political power in the region, is pressing ahead with moves to include Rangoon within its forum.

Burma is due to join Asean by 2000, but several Asean officials have said they would like to see its membership as early as 1998 or even next year.

Gen Than and some of his 48-member delegation later met Dr Mahathir Mohamad, Malaysia's prime minister.

ASIA-PACIFIC NEWS DIGEST

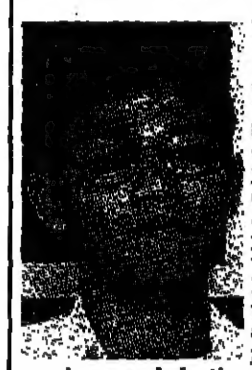
Taiwan plans credit rating

Taiwan securities regulators plan to establish the country's first credit rating agency in co-operation with Standard & Poor's, the US information company, to help develop the domestic corporate debt market. A Securities and Exchange Commission official said yesterday talks were in progress but details of the venture had not been finalised. The SEC has drafted a plan which would require all companies planning to issue corporate debt to undergo a credit evaluation by the agency before bond issue approval was granted.

Taiwan's long-moribund corporate debt market is growing rapidly. Through the end of July this year, the SEC has received a record 113 applications from leading companies to issue T\$117.2bn (\$4.3bn) in corporate bonds. In 1995, 51 companies raised T\$52bn in corporate debt. The rise in applications is partly because financial liquidity has been loose in recent months, so raising long-term funds has become cheaper than borrowing from banks. In Taiwan, companies generally fund themselves through bank loans, short-term paper, Euroconvertible bonds or global depository receipts. *Laura Tyson, Taipei*

■ Mr Lien Chan, Taiwan's vice-president, left for the US yesterday, on his way to a state visit to the Dominican Republic, despite opposition from Beijing. China has opposed the stopover, urging Washington "to honour the solemn commitment it has made on the question of Taiwan so as to prevent new damages from occurring in Sino-US relations". Taiwan officials played down the significance of the US stop, saying Mr Lien would not make any public appearances. *Reuter, Taipei*

Indonesian dissident arrested



Indonesia's authorities continued their crackdown of President Suharto's critics yesterday, arresting Mr Budiman Sujatmiko, the leader of a pro-democracy group (pictured left) and calling one of the country's most prominent authors in for police questioning. The summons and arrest are in relation to the pro-democracy rioting and looting which rocked Jakarta, the capital, last month. Analysts have accused the government of using the riots as a pretext to crackdown on political opposition ahead of next year's general elections. The July 27 riots started after police forcibly evacuated supporters of Ms Megawati Sukarnoputri, the ousted leader of the opposition Indonesian Democratic Party (PDI), from the party's headquarters in Jakarta.

Mr Pramudya Ananta Tur, a dissident author who has twice been nominated for a Nobel Prize, was called in for questioning yesterday. The arrest of Mr Sujatmiko, came after President Suharto had described a group he leads as "communist-like" and accused it of masterminding last month's riots. *Manuela Saragosa, Jakarta*

India bars foreign press deals

The Indian government has ruled out the entry of foreign print media into India and will not allow foreign television networks to broadcast from Indian soil, the Press Trust of India said. "As long as we are there, we don't want any up-linking or entry of foreign media," Mr C.M.Ibrahim, information and broadcasting minister, told reporters in New Delhi. A government spokeswoman confirmed that the minister ruled out permission for foreign broadcasters and publishers to launch editions or open broadcast stations in India. The immediate backdrop to the government's decision is an attempt by the Financial Times, owned by Pearson, to acquire a stake in an Indian company that publishes a business daily, Business Standard. *Reuter, New Delhi*

Court delays Rao decision

India's Supreme Court yesterday put on hold proceedings against former prime minister P.V. Narasimha Rao on charges of fraud levelled against him by a businessman. The Supreme Court said it had still to decide whether the action to name Mr Rao as co-accused in the case was proper. The court postponed the final decision in the case to August 20. The former premier has been named as a co-accused in the case filed by Mr Lakhubhai Pathak, a London-based foods businessman. Mr Rao has denied the allegations. *AFP, New Delhi*

NEWS: WORLD TRADE

Mitsubishi caught up in Nedcar row

By Simon Kuper in Amsterdam

Mitsubishi's investment in its Dutch car plant was embroiled in controversy yesterday after a senior executive was quoted as saying the Japanese group might make some vehicles in Portugal or eastern Europe unless productivity improved.

Nedcar, the only Dutch car plant, admitted yesterday it would produce about 145,000 Mitsubishi and Volvo vehicles this year, 20,000 less than planned.

Mr Katsuhisa Sato, president of Mitsubishi Motor Sales Europe, was reported in the Dutch Algemeen Dagblad newspaper on Saturday as saying: "To be honest, the productivity of Nedcar has disappointed us. It is giving me headaches. Our importers and dealers all over Europe are constantly complaining about the supply problems."

Mr Sato was quoted as saying Mitsubishi could move some production to its commercial vehicle plant in Portugal, or open a new factory in Ukraine or elsewhere in eastern Europe.

It is rare for a Japanese investor to criticise a foreign operation. But Mitsubishi officials yesterday denied Mr Sato had made the comments. "We have no plans to stop production of cars at Nedcar," the company said.

Nedcar, a joint venture between Mitsubishi, Volvo and the Dutch government in Born in south-eastern Netherlands, is currently the Japanese group's only European carmaking site. It makes the Mitsubishi Carisma, which the group claims is the first Japanese car produced exclusively for the European market.

Volvo and Mitsubishi called Nedcar a "world first" in carmaking when production began last year, because the plant makes two separate models for two different carmakers on the same assembly line. The production system was test run in Japan and then shipped piece by piece to Born. The two manufacturers have invested about SKr12bn ($1.8bn) in the plant so far.

'Our importers and dealers all over Europe are constantly complaining about the supply problems'

Mr Wim Gersen, district administrator of the FNV, the main Dutch trade union, estimated yesterday that the reduced output could cost Nedcar Fl 600m ($360m) this year in lost sales. He said the plant's current total of 6,800 employees was almost a third more than budgeted, and he forecast large losses for 1996.

"The shareholders will have to cover it," he said. "Nedcar has too many employees. Productivity has to rise strongly," he added.

Nedcar made net losses from operations of Fl 169m in 1995, after turning a Fl 1.5m profit in 1994. The plant has accumulated net losses to Volvo alone of almost SKr1.5bn since 1993. Nedcar's three-man board was replaced last month.

The plant now expects to need 5,800 staff to produce 280,000 cars a year from 1998, 1,100 more than planned.

Mitsubishi will produce its SpaceWagon car in Born from 1998, as part of a drive to raise its European car sales to at least 330,000 units a year by 2000, from less than 200,000 in 1995.

WORLD TRADE NEWS DIGEST

US group wins Peru power deal

Intergen, a consortium of US independent power producers, has been selected by Shell and Mobil to construct a thermal power plant of up to 600MW capacity in the department of Cuzco in Peru. It represents the first stage of the development of the huge Camisea natural gas fields.

Intergen will run the project alongside Community Energy Alternatives (CEA), the overseas investment arm of Power Service Enterprise (PSE), the third largest US utility. Intergen is 80 per cent held by Pacific Gas, the largest energy company in the US, and 20 per cent held by Bechtel, the San Francisco-based engineering group. At a cost of more than $500m, the Camisea thermal plant will represent the largest single investment in energy generation in Peru for more than two decades and should be producing by late-1999.

The Shell/Mobil partnership signed an agreement with the Peruvian government on 17 May to proceed with development of the Camisea gas and liquid hydrocarbons fields. Camisea contains the equivalent of 2.2bn barrels of oil, around six times Peru's current reserves. Development, however, will be costly as the fields are in remote jungle far from markets. *Sally Bowen, Lima*

Mobil sells half Tulpar stake

Mobil, the US oil company, announced yesterday it had sold half of its stake in a Kazakh oilfield to Royal Dutch Shell, Japan Petroleum Exploration and Sumitomo, the trading house. Mobil said that Shell Tulpar Development, a subsidiary of the Royal Dutch/Shell group, bought a 12.5 per cent stake in the Tulpar field from Mobil Oil Tulpar, a Mobil unit which is completing a seismic survey on the field.

Japan Petroleum Exploration and Sumitomo together purchased another 12.5 per cent. Following the transactions, Mobil Oil Tulpar will maintain a 25 per cent stake in the Tulpar field, the statement said. The other shareholders are three Kazakh companies which have a 50 per cent interest between them. The Tulpar field, which covers 17,759 sq km, is located in the Pricaspian Basin, which contains the huge Tengiz oil field and Karachaganak gas and oil fields.

Another consortium of western oil companies announced recently it had completed the largest seismic survey in history but exploitation of the oil reserves threatens to be delayed for lack of a production-sharing agreement. The Caspian Sea Consortium of Agip, British Gas, Mobil, Royal Dutch Shell, Total, BP, Statoil and their Kazakh partner KCS spent more than $200m surveying 26,180 km of seismic lines in the northeastern part of the Caspian Sea. *Sander Thoenes, Almaty*

Toyota eyes India partnership

Toyota Motor, the leading Japanese car manufacturer, said it would launch a feasibility study next month of a possible partnership with Kirloskar, an Indian conglomerate producing engines and castings, to produce cars in India.

The move follows the failure of talks last year between Toyota and another Indian company, Hindu. Toyota had set up a local truck production venture in 1984 with DCM, an Indian conglomerate, but lost management control in 1994 when Daewoo Motor of South Korea took a majority stake. *Emiko Terazono, Tokyo*

Ankara, Tehran in $20bn gas deal

By John Barham in Ankara

Turkey yesterday signed a multibillion dollar deal to import natural gas from Iran in defiance of Washington's threat to take action against companies investing in the Iranian oil and gas industry.

The two countries' energy ministers signed a memorandum of understanding on the last day of an official visit to Iran by Mr Necmettin Erbakan, Turkey's Islamist prime minister.

An elaborate ceremony indicated the importance Iran attaches to relations with Mr Erbakan's new government, which promises to alleviate Tehran's international isolation. Mr Erbakan told his hosts: "We cannot turn our backs on a crucial neighbour like Iran, especially when we desperately need their energy resources." Turkey also signed agreements to buy Iranian electricity and boost bilateral trade.

Mr Erbakan is on a tour of five, mainly Islamic, Asian states to strengthen ties with the Moslem world after decades of neglect by secularist governments.

Turkey says it will import about $20bn-worth of gas from Iran over 23 years. Initial flows are planned at 2bn cubic metres a year starting in 1998 after a 1,320km pipeline from Tabriz in western Iran to Turkey is built. Volumes would gradually rise to 10bn cubic metres annually. However, analysts warn it would take many years before the pipeline was ready, dismissing the agreement as a gesture of political goodwill.

Mr Henry Rich, energy analyst at Edinburgh brokers Wood Mackenzie, said: "There are obvious problems such as [possible US] sanctions and the impracticalities of building a pipeline across the mountainous eastern part of Turkey."

Economists doubt the near-bankrupt Turkish treasury has sufficient funds to pay for the pipeline, expected to cost about $2bn.

Finding international backing for the project will be hard. Washington would veto loans by multilateral agencies such as the World Bank.

Arranging loans from private banks for such a sensitive and risky project would also be difficult, given strong US opposition to the project and the weak economies of Turkey and Iran.

Assuming Turkey and Iran do find financial backers, building the pipeline would still present considerable challenges. Mr Rich said international contractors would probably avoid involvement, while technical expertise of Turkish construction companies was open to doubt.

Still, Turkey is a heavy energy importer and western diplomats say it needs to raise imports and diversify its sources of supply. Turkey now buys all its natural gas from Russia, a traditional regional rival.

Iran 'in Kazakh oil pact'

By Sander Thoenes in Almaty

Iran has claimed it reached an agreement with Kazakhstan over the weekend to allow exports of Kazakh oil to international markets via Iran.

The official Iranian news agency IRNA said the two governments signed an agreement on Saturday. Kazakh officials declined to comment on the report.

Talks have been going on since the presidents of Iran and Kazakhstan agreed on the basics of a deal in May. Kazakhstan would send 2m tons of oil a year to northern Iran, later rising to 6m, in exchange for Iranian crude deliveries to Kazakhstan's clients in the Gulf.

Kazakhstan has been unable to export as much oil as it would like because its only existing export routes run through Russia, which has restricted access to its pipeline network. Iran stands to cut costs in delivering oil to northern Iran, now supplied from the south.

The news comes on the heels of tougher US sanctions against Iran, but US officials have told the Kazakh government they would not object to incidental oil swaps with Iran, provided no US companies were involved.

Some of the Kazakh oil is likely to come from the Tengiz oilfield exploited by a joint venture of Chevron and Mobil, which have insisted they have no part in the deal.

Venezuela, US in air safety accord

By Ray Colitt in Caracas

Venezuela and the US have reached a deal to normalise air traffic between the two countries after it was virtually halted last week during a dispute over airline safety regulations.

The deal grants Venezuela 30 days to comply with US aviation safety requirements and averts a ban on Venezuelan airlines in the US. The US Federal Aviation Administration (FAA) was close to barring Venezuelan aircraft from landing in the US after seeing little improvement in Venezuelan airlines' safety since placing the country on a probationary aviation safety rating in November.

"They were ready to downgrade us to category three but we managed to convince them that there are new authorities and a new disposition in the government, Congress and the airlines," said Mr Moisés Orozco, Venezuela's transport minister.

In order to meet the requirements, said Mr Orozco, Venezuela would have to create an institute similar to the FAA, reform its aviation legislation, raise fines and ensure the independence of airline safety inspectors. The government has already asked Congress for additional funds to overcome a budgetary crisis in the transport ministry.

Mr Orozco said Venezuelan aviation authorities would not hesitate in applying safety regulations, even to the detriment of domestic airlines. Flights would be cancelled and airlines' licences revoked "because this is also a commitment by the airlines," he told the Caracas daily newspaper, El Universal.

The FAA said Venezuela had until September 9 to meet the terms of the agreement. "This is the final opportunity for Venezuela to prove it has the ability to move forward to the highest level of aviation safety," an official of the FAA said.

Critics have said that the government will be hard pushed to make significant advances in aviation security in only 30 days. Congressmen indicated they would require transport officials to account for past expenditure and delays in upgrading airport security equipment before granting the ministry new funds.

The on-going dispute flared last week after FAA inspectors in Miami barred three Venezuelan aircraft from take-off for not complying with safety rules. In apparent retaliation, Venezuelan authorities forced two American Airlines flights to leave behind 370 passengers in Caracas.

In response American Airlines and United Airlines suspended their flights on Wednesday and Thursday. Hundreds of passengers were stranded at airports in Miami and Caracas with only the occasional flight by Venezuelan Airlines.

NEWS: INTERNATIONAL

Hizbollah reinvents itself as political force

The militia wishes to prepare for the day Israel leaves Lebanon and it is reined in by Syria, writes David Gardner

The black-windowed Range Rover, with curtains of black gauze enclosing the back seat to obscure the passenger's view, edges through Beirut's teeming southern suburbs, fiefdom of Hizbollah, Lebanon's Shi'a Moslem fundamentalist militia. Suddenly the automatic door of a garage shuts off all light. A door opens and, after a search by Hizbollah security, the visitor ascends to the chambers of Sheikh Hassan Nasrallah, leader of the Party of God.

Sheikh Nasrallah, whose name means "God's victory", knows he is a marked man. His predecessor as Hizbollah's secretary-general, Sheikh Abbas Musawi, was assassinated in 1992 with his wife and daughter in an Israeli helicopter ambush.

Sheikh Mohammed Hussein Fadlallah, regarded as the movement's spiritual guide, has survived more than 10 attempts on his life, including a 1985 car bomb which killed 84 people. "We don't fear death," Sheikh Nasrallah says with the flicker of a smile, "but we are anxious not to be killed for nothing."

Sheikh Nasrallah at the head of a Hizbollah procession in 1993. 'The whole region is in a state of alert'

In black robes and turban, the colours of Hizbollah as well as denoting kinship with the Prophet Mohammed, Sheikh Nasrallah looks a young 36. He shows no trace of the consternation felt by Arab leaders at the victory, in Israel's elections, of Mr Benjamin Netanyahu of the hardline Likud over Mr Shimon Peres, leader of the Labour party and the force behind four years of regional peacemaking efforts.

Hizbollah underlines it was Mr Peres who launched a 17-day bombardment of southern Lebanon and south Beirut in April, as well as a week-long blitz in July 1993. The guerrillas lost only 14 dead in the April offensive ostensibly aimed at them. But over 200 Lebanese civilians died, half of them in the shelling of a United Nations refugee shelter at Qana. "The only difference between Peres and Netanyahu is that Peres is a better liar," says Sheikh Nasrallah.

Hizbollah is hated by Israel and its ally, the US. Inspired and financed by the Shi'a Islamic revolutionary regime in Iran, it emerged with Syrian blessing as a response to Israel's 1982 invasion of Lebanon, at the height of the 1975-90 Lebanese civil war.

In 1983 Hizbollah inflicted what was arguably America's worst humiliation since Vietnam. Its suicide volunteers truck-bombed the US marine barracks in Beirut, killing 241 soldiers, destroyed the US embassy in Moslem west Beirut and then its embassy in Christian east Beirut, forcing a US withdrawal.

Israeli forces by 1985 had also suffered a rare defeat, retreating from Hizbollah and rival Shi'a militias to a so-called security zone in the south, where the Israelis still occupy 12 per cent of Lebanese territory. This is the arena for a proxy war between Israel and Syria, which has 40,000 troops in Lebanon. Hizbollah attacks serve as a Syrian reminder to Israel that there will be no peace in the region without Syria and the return of the Israeli-occupied Golan Heights to Syrian sovereignty.

The April fighting ended with an agreement essentially between Israel and Syria, committing the Israelis and Hizbollah to cease attacks on or from civilian positions. But a new cycle of escalation has started, with Hizbollah ambushes on Israeli forces inside the security zone since Israel's election. Mr Netanyahu has pledged "to act firmly and with severity". Some Arab governments fear Israel could retaliate against Syrian forces in Lebanon. "The whole region, not only Lebanon, is in a state of alert," says Sheikh Nasrallah.

"We are willing to defend our people and our country," he adds, warning "these attacks will not stop". But he counsels: "We should wait a bit to see what Netanyahu has to say".

Sheikh Nasrallah's even tone reflects the Hizbollah of the mid-1990s more accurately than Israeli and US demonisation. Hizbollah is reinventing itself. It enjoys wide cross-community legitimacy in Lebanon as a national resistance movement, and, riding a wave of national unity since April's bombardments, wants to enter government.

'Some would prefer us to remain aloof but we want to express the people's will' – Sheikh Nasrallah

The movement has sunk deep roots among the Shi'a, an estimated third of Lebanon's population but the bulk of its dispossessed, helped by an extensive social and welfare network. Jihad al-Bina'a (Holy War Construction), Hizbollah's building company, was the first on the scene in southern Lebanon and south Beirut after the April onslaught.

Money for this comes from Iran, up to $60m a year according to western intelligence, but more now seems to come from collecting Islamic tithes from the Lebanese Shi'a in west Africa and from Shi'a in the Gulf.

"We want to participate in the political life of Lebanon and in the administration of the-country," Sheikh Nasrallah says. "Some would prefer us to remain aloof, like Sufi mystics or ascetics, but we want to express the will of the people."

Sheikh Fadlallah, who keeps his distance from Hizbollah and has a larger constituency, said in a separate interview: "There is an American veto on the entry of Hizbollah into the Lebanese government." Lebanese officials confirm the US state department reacted strongly to speculation a year ago that the Islamists would join the government of Mr Rafiq al-Hariri, a Sunni Moslem construction tycoon, who suggested "Hizbollah is dreaming".

The two Islamist sheikhs insist Hizbollah has never pretended to an Iran-style Islamic state in Lebanon. "We cannot impose our Islam on anybody by force," says Sheikh Nasrallah.

Sheikh Fadlallah says the Islamists could be only "one element in an ideological contest". Echoing his Maronite Christian counterpart, the Patriarch Nasrallah Sfeir, the Shi'a leader says: "Christians and Moslems should think together on the ways we can achieve both Islamic and Christian values, which are 80 per cent the same".

Sheikh Fadlallah has his own religious following from Azerbaijan to Saudi Arabia, including Iranians. In the Shi'a canon, his views are liberal. He has pronounced against self-flagellation during the Shi'a feast of Ashoura; for women to pursue careers, especially in politics; and against terrorism by Moslems in the west.

Hizbollah's value to its Syrian and Iranian backers lies in Israel's continuing occupation of south Lebanon. The harrying of Israeli forces provokes Israeli reprisals which draw in US and European mediators who are then forced to examine Syrian and, to a lesser extent, Iranian demands.

Hizbollah has used this cycle to expand its political space. It now senses the need to consolidate its position against the day when Israel withdraws and its militia is reined in by Syria and the reconstituted Lebanese army. Lebanon has been such a quagmire for Israel that some senior Israeli and Lebanese officials had been expecting a phased handover of the security zone to the Lebanese army if Mr Peres had won. Mr Netanyahu is toying with this idea but in a way which Lebanon cannot, and Syria will not, accept.

But with a Netanyahu government, Hizbollah clearly feels there is more mileage in its resistance role. Sheikh Nasrallah says: "Let the Israelis first withdraw", and pauses: "Then we'll see."

Israeli company discovers oil near Dead Sea

Israel has discovered oil near the Dead Sea, it said yesterday. But it cautioned that more time and studies were required fully to establish the quantity and quality of the reserves, Reuter reports from Tel Aviv.

"Oil is flowing freely without the need for a pump at a rate of 450 barrels a day," Mr Yaron Ran, the managing director of the Israel National Oil Company, said. The state-owned company owns 7 per cent of the project.

Mr Ran said oil was found on Friday at an exploration well at a level of 1,950-1,960 metres.

"This is a good sign for the future, but we have to be very careful about our optimism. We have to wait and see how it develops," he declared.

The company is studying the oil's quality, its flow and the commercial value of the find. There are also plans to drill at a higher level in coming days to find out if there are more sources.

Trading in the Israel National Oil Company Dead Sea Ltd and its partners, which are quoted on the country's Karam index of small capitalised stocks, was halted after the company issued a statement to the Tel Aviv stock exchange.

Jordan, Saudi Arabia heal rifts

King Hussein of Jordan yesterday completed a two-day visit to Saudi Arabia that helped to end six years of bitterness between Amman and Riyadh, Reuter reports from Dubai.

Ties were damaged when King Hussein refused to join Saudi Arabia and Arab and western allies in condemning the 1990 Iraqi invasion of Kuwait. A western diplomat in Riyadh said: "This is a very significant visit. It's a sign things are warming up but that's not to say relations have been completely repaired."

Renowned for his skill in navigating the region's political minefields, King Hussein was greeted at the airport by King Fahd when he arrived on Sunday and senior Saudi officials later attended a banquet in his honour.

It was the two men's first encounter since the crisis caused by Iraq's invasion of Kuwait. The rupture in relations caused Saudi Arabia to cut oil supplies to Jordan, forcing it to rely solely on Iraq for its energy needs.

King Fahd did not receive King Hussein on his first official visit to Saudi Arabia in five years in February. Two years earlier, he snubbed the Jordanian monarch by refusing to see him when he arrived on a pilgrimage.

Attempts by King Hussein at reconciliation gained momentum a year ago when he turned against President Saddam Hussein following the defection by two senior Iraqi officers. Some analysts said the US had also been pressing Saudi Arabia to mend relations in an attempt to unify moderate Arab states behind the Middle East peace process.

French citizens urged to quit Burundi

By Our Foreign Staff

France yesterday became the latest western nation to urge its nationals to quit Burundi, heightening a panic-stricken rush for air tickets by foreigners stuck in the sanctions-hit capital Bujumbura.

Following the precedent set by the US last week, the French foreign ministry said it had advised 170 nationals to leave Burundi, now virtually isolated by the blockade agreed by East African nations after the army seized power.

With services by Air France cancelled, expatriates were competing for places on the last two flights scheduled for today by the Belgian carrier Sabena.

Burundi's new regime was meanwhile trying to persuade European nations to press regional powers to rescind the economic blockade. Mr Luc Rukingama, foreign minister, lobbying in Burundi's former colonial master Belgium, said sanctions risked further inflaming the conflict between minority Tutsis and majority Hutus.

There was no point forcing the Tutsi authorities to open dialogue with Hutu rebels as they were already committed to that path, he declared. "The embargo will only help the extremists. The sanctions threaten seriously to hamper the peace process."

Reaction of western countries such as Belgium and France to Major Pierre Buyoya's takeover has been more cautious than that of Burundi's neighbours. Many feel the new regime may be more effective in ending bloodshed than the previous civilian coalition.

Jurek Martin examines the populist's narrowing options

Buchanan's crusade may end in political desert

US ELECTIONS November 5

As Mr Pat Buchanan sees it, the crusade for control of the Republican party is barely half over. Some fortresses, like the party platform, have already fallen to his troops, but the "knights and barons" have proved a little too strong in head-to-head combat this year. A "temporary truce", just like the ones ancient armies called over Lent, makes sense.

That is exactly what the populist chief of the "peasants with pitchforks" had to say on Sunday night in the speech that he was not allowed to give at the Republican convention in San Diego this week. The longer term question, though, is whether Mr Buchanan was throwing down another gauntlet, or in effect delivering his own farewell to arms.

It was easy to see why party managers wanted to keep him 30 miles away from the convention podium, though they could not deny him TV exposure. If there was one lesson from the party's Houston convention four years ago it was that his inflammatory rhetoric, more than that of any other contemporary politician, can make independents and moderates run to the exits in droves.

There were no apologies in Escondido on Sunday night. The name of Mr Bob Dole, the certain Republican presidential nominee, was mentioned only once – in the context of Mr Buchanan's victory over him in the New Hampshire primary – and that of Mr Jack Kemp, the running-mate, not at all. Tax-cutting, the ticket's mantra, never crossed his lips.

What did was a outpouring about loss: of the lives of unborn children, of working and middle class prosperity, of once great US manufacturing industries, of American sovereignty to the UN, the International Monetary Fund and World Bank and to multinational companies and cunning and corrupt foreign governments, all of whom conspired to form the sinister New World Order.

Earlier this year, when he was running Mr Dole dangerously close in the early primaries and caucuses, it was fashionable to conclude that he had tapped into something. Democratic intellectuals, like Mr Robert Reich, the labour secretary, agreed that angst was a national problem. Now Messrs Dole and Kemp are saying the same thing, if less pungently.

Pat Buchanan giving his speech on Sunday: was he throwing down the gauntlet or throwing in the towel? Reuter

But politics is a business of winners and losers, as well, sometimes, of ideas and perceptions, and therein lies the objective doubt over Mr Buchanan's longevity in the political arena.

He has now contested over 50 Republican primaries in two campaigns and won precisely one. His share of the Republican vote this year while he was competitive was stuck in the 25-30 per cent range of 1992, and both times he was up against uninspiring frontrunners. The baseball-turned-penology term – three strikes and you're out – stares him in the face.

He is the catalyst capable of creating unity in the party hierarchy, but his help in the autumn campaign will not be sought, certainly not after Sunday night's performance.

If the Republicans win the presidency and retain control of Congress in November, it will be the party of Messrs Dole, Kemp, the leadership on Capitol Hill and a fistful of rising governors. If they lose one or both, a succession struggle may ensue, but Mr Kemp, as the defeated vice-presidential candidate, will have an inside track unless he proves disastrous on the stump.

Other potent pretenders include Governor Christine Todd Whitman of New Jersey, or even retired General Colin Powell, or others to whom Mr Buchanan is anathema.

That leaves open the third party route with which Mr Buchanan frequently toys. Mr Oliver North, now a conservative talkshow host after the Iran-Contra affair and an unsuccessful Senate race in Virginia, alluded to this in warming up for Mr Buchanan in Escondido.

"I know some came here urging the creation of a new political party and I, too, have felt that myself," Mr North said and the crowd bowled "yes, yes". But then he turned to the gallery, where the Buchanans were sitting, and implored him "to fight the good fight" within the Republican party.

The alternative party field is a little crowded, with Mr Ross Perot's Reform party, Mr Ralph Nader's Green party, the Libertarians and the conservative Taxpayers' party, to which Mr Buchanan referred favourably. But only the Reform party is measurable in the polls and in nothing like the numbers the Texas billionaire racked up as an independent presidential candidate in 1992.

Perhaps more than that, it must be noted that Mr Buchanan is not a pure populist in the manner of Huey Long of Louisiana. He is a political sophisticate who once worked for presidents Nixon and Reagan and, when not running, is a member of the political media elite.

He has spent more time inside the political establishment than outside it and knows the indifferent history of third party movements as well as he does the revolutionary war and civil war which are his constant refrain. There is sometimes also about him a self-mockery which can make his crusading rhetoric look a little bit of an act.

Bay Buchanan, his hard-driving younger sister and campaign manager, is clearly an influence on him. It was she who spearheaded the effort to shape the Republican platform in his image and it was she on Sunday who chose to criticise Mr Dole rather than ignore him. There is the suspicion that she would not mind a third campaign, in whatever guise.

Mr Buchanan will not have time to ponder all this out of the limelight. "Look how far we have come," he told his adoring fans in Escondido. How much further forwards, or backwards, is up to him.

Kemp set to block Dole's back

By Jurek Martin in San Diego

Jack Kemp is not the first American football player to make his mark in politics, which at least is good for the introduction of the language of the gridiron into the pursuit of votes.

Former president Gerald Ford was a pretty good college centre in Michigan. He also had the reputation for sometimes being a little slow on the uptake, causing Lyndon Johnson to comment caustically: "I think maybe he played one game too many without his helmet on."

Mr Kemp played quarterback, the hub of the offence who throws and hands off the ball. These days coaches are so dominant that quarterbacks mostly do as they are told, but in Mr Kemp's time they called their own plays and were the only players supposed to speak in the huddle.

Thus the new running mate, conscious of his own long-windedness, is going around saying he will only be the "blocking back" for Bob Dole. This unsung member of the team is supposed to knock down opponents before they can make a tackle. Vice-president Al Gore had better watch out.

Democrats have been quick to counter with football parlance. They have called the choice of Mr Kemp a "Hail Mary". This is the long distance desperation pass the quarterback throws when facing defeat in the final seconds. Mostly it fails, but it has been known to succeed.

A long distance pass is also known as a "bomb". The Republican commitment to a strong defence makes this a useful word. Unfortunately, in the theatre it describes total failure.

Actually Mr Kemp's reputation on the field, early on for the local San Diego Chargers, was that of a player with brains and leadership but a less than average arm. He won his league's Most Valuable Player award in 1965 and Mr Dole would accept a repeat performance.

He will be less interested in the "scramble", when the quarterback runs around in circles in the backfield trying to find room to pass. As often as not these result in a loss of yardage. The Dole-Kemp team is far enough behind in the third quarter to be ill able to afford this.

For Castro, 70, the struggle continues

Succession is not on agenda as he is locked in last and toughest battle, writes Pascal Fletcher

His admirers hail him as a champion of the third world. His enemies vilify him as a cynical dictator. Cubans, whether they love or loathe him, call him Fidel.

Cuba's President Fidel Castro celebrates his 70th birthday today with his place in history guaranteed. But this veteran revolutionary turned statesman, who has survived eight US presidents, CIA assassination plots and several false reports of his death, is still keeping the world guessing about his future.

Abroad, Mr Castro has gained the status of an international celebrity, instantly recognisable with his full beard, now white with age, and his green military uniform, although he has recently taken occasionally to wearing suits.

At home he still unquestionably dominates the life of his Caribbean island nation, as he has done for 37 years since the Cuban revolution that brought him to power in 1959.

At an age when most men would be thinking of retirement, he is locked in what may be his last and toughest battle: to preserve the one-party socialist system he calls Cuba's "revolution" and to which he has dedicated his life.

The break up of the former Soviet Union robbed Cuba of a superpower ally, plunged its economy into crisis and cast the country adrift in a world dominated by Mr Castro's "imperialist" arch-enemy, the US. To make matters worse, Washington has tightened its economic embargo against the island.

But Mr Castro's Cuba has survived so far, although it has embarked on a path of economic reform that may change it for ever.

The Cuban leader, when asked, usually neatly sidesteps the issue of retirement, saying he will stay in office as long as his country needs him. He continues to show obsessive interest in every detail of the nation's life, whether the theme is the sugar harvest or Cuba's Olympic performance.

The issue of succession is rarely raised in public. Mr Castro's younger brother, Raúl Castro, the 65-year-old armed forces minister and number two in the ruling Communist party, is considered his hierarchical successor. Raúl has a reputation as a political hardliner, although he has publicly backed pragmatic economic reforms.

But there are signs that, while Fidel Castro still wears the triple crown of head of state, government and ruling party, he is increasingly delegating responsibilities to younger officials, especially in the management of Cuba's new-look economy.

This has led to the emergence of what some observers see as a more collective, less personally centralised leadership.

Prominent among this group is 44-year-old Carlos Lage, the vice-president, a soft-spoken technocrat who appears to have assumed the role of an undeclared prime minister, especially in the area of economic reform.

Other members of the new generation of leaders include National Assembly president Mr Ricardo Alarcón, 59, Cuba's top emissary in dealings with the US, and the youthful, globe-trotting foreign minister, Mr Roberto Robaina, 40.

While a hermetic official silence cloaks Mr Castro's private life, reports of ill-health, ranging from heart problems to arthritis, have increased in recent years. Cuban officials dismiss them as enemy propaganda.

Mr Castro certainly seems to maintain a gruelling daily work schedule and still travels frequently. But increasingly he looks tired, his diction is sometimes slow and slurred and some recent speeches have been less than inspired for a man famous for his spontaneous oratory.

Has age mellowed his ideas? Mr Castro has made some tactical concessions, such as allowing foreign investment and cautious market-style reforms to try to beat the recession. But his deep, oft-declared aversion to western-style capitalism clearly continues to limit the pace and direction of change. "Socialism or death" remains his war cry and he continues to dismiss internal opposition as an intolerable, US-backed threat to national unity.

It is difficult to gauge his current popularity in Cuba. His supporters jealously protect his image. But the hardships of Cuba's five-year economic recession have undoubtedly taken their toll on the unstinting popularity he once enjoyed. In private, more and more Cubans seem ready to criticise or at least express doubts.

Continuing saturation coverage of his speeches turn many away from their TV sets. But US moves to isolate the island and weaken its economy are genuinely resented by ordinary Cubans and help Mr Castro to preserve his nationalist appeal.

The famous American photographer Lester Cole took this [illegible] picture of Fidel only days after he had taken Havana ... Cole, [illegible] had been sent to Havana at the end of 1958 to take pictures of [illegible] high society. It didn't quite work out that way.

From Guerrilla Prince by Georgie Anne Geyer, Little, Brown and Company, 1991

Miracle-worker Perot offers second taste of '92 vintage

By Patti Waldmeir in Long Beach, California

Every politician tries to suggest that he can work wonders, but Mr Ross Perot scarcely stops there. In Long Beach the tough-talking Texan campaigned for the Reform party's presidential nomination on a platform combining his familiar homespun wisdom with testimonials of completed miracles.

As Reform party voters choose between Mr Perot and his challenger, the former Colorado governor Mr Dick Lamm, several images will stick in their minds from Sunday's party convention. Most of all they will remember the larger-than-life video testimonial of Mrs Sandy Hulse of Fort Smith, Arkansas, who thanked Mr Perot for saving her life.

Mrs Hulse had been diagnosed with an inoperable brain tumour, and Reform party supporters listened rapt as her sister Debbie, a Perot supporter, explained how a terminal tumour became a treatable aneurysm after the intervention of Mr Perot.

He paid for the best doctors; he flew her to hospital; his chauffeur drove her straight to operating theatre. "If [Mr Perot] had not done what he did, my wife would be dead," said a grateful husband. And lest voters should miss the political message of the tale, sister Debbie was there on stage to provide it: "If he can achieve this, can you imagine what he could get done in the White House?" she asked, weeping. The crowd applauded the generosity of their leader to the little people of America.

There was a series of such tear-drenched testimonials – another from an American serviceman saved from his Gulf war injuries by medical treatment organised by Mr Perot, and a third from a black Perot acolyte who compared the Reform party founder to Martin Luther King, Jr.

The candidate then took the stage to deliver a re-run of the stump speech which brought him 19 per cent of the popular vote in the 1992 presidential election.

He touched all the familiar themes: the evils of free trade, the profligacy of the federal government, the sins of politicians and lobbyists, the sacrifices in store for Americans. He used all the old props: charts showing plunging federal finances and sagging trade deficits, simple line-drawings to capture his central theme, the decline of American civilisation. He promised to take "the first step to restoring the American dream" – balancing the federal budget.

He couched it all – his pop economics lecture, his philosophical reflections on the nature of democracy, and his social critique of American life – in Forrest Gump-style rhetoric which brought hoots of laughter and cheers from the hall. It was vintage Perot – Reform party voters have until Saturday to decide whether they still like the 1992 vintage.

Some will revolt against the cult of the leader which has grown around Mr Perot. They may heed the plea of Mr Lamm, his challenger, who called on them to "pass the torch" to him. He gave a sober speech touching all the same themes as Mr Perot: nostalgia for a bygone age of American greatness, coupled with a solemn promise to restore what has been lost.

"Our politicians used to be compasses; now they are just weather vanes. They used to be driven by conviction; now they are driven by polls and focus groups," said the grey-haired governor. He called for campaign reform, and got applause; he argued for "fiscal sanity" and earned more approval.

But by far the most popular Lamm theme was immigration reform: "We must place a first priority on caring for our own huddled masses" – and leave other nations' huddled masses for later – he said to the roars of the crowd.

Exchange mulls shift from Wall St as space constraints grow

Growth may force NYSE move

By Richard Tomkins in New York

The New York Stock Exchange, almost synonymous with Wall Street, is considering plans to move from its historic site in downtown Manhattan as it is running out of space in the existing building.

Exchange officials yesterday said they were "at a very preliminary point" in examining whether it needed to move to cope with increases in the number of quoted companies.

They had held exploratory talks about the possibilities with New York City officials and private sector developers, but no timetable had been set. The officials said the exchange would not leave New York City.

The exchange is at 8 Broad Street, on the corner of Wall Street. The building, designed by George B. Post and completed in 1903 at a cost of $2m, is distinguished by a magnificent Renaissance facade.

Unlike the London Stock Exchange, which has switched to a screen-based dealing system, the New York exchange still uses the open auction method of trading equities which takes place on a trading floor.

Each time the number of quoted companies rises an increase in space is required to accommodate trading in their shares: the number of companies quoted on the so-called Big Board has risen from 1,885 at the end of 1991 to 2,755 today.

In 1988 the exchange increased the amount of space available for trading by 20 per cent by making changes within the existing building. It has also been investing heavily in technology to increase capacity.

The existing floor is the size of a football field and features 17 trading posts where specialists carry out their trade.

If the exchange were to leave the Wall Street area it would be a devastating blow to downtown Manhattan. The area is already suffering office vacancy rates of up to 30 per cent because transport links are inadequate and the old skyscraper buildings are unsuitable for modern needs.

But according to a report in yesterday's New York Post, the exchange is looking at plans to expand while remaining in the Wall Street area. Two sites mentioned are 55 Broad Street and an East River location just below South Street Seaport.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.1	99.8	85.0
1987	105.8	100.7	103.9	97.5	78.1
1988	109.8	103.2	106.8	99.4	71.0
1989	115.2	108.5	109.9	101.4	74.9
1990	121.5	113.9	113.5	104.0	73.2
1991	126.6	116.3	117.3	107.3	74.1
1992	130.4	117.7	120.1	107.0	74.0
1993	134.3	119.2	123.1	106.7	76.4
1994	137.8	119.9	126.5	105.4	74.3
1995	141.7	122.2	129.7	104.7	68.7
3rd qtr.1995	2.6	1.6	2.8	−0.7	68.4
4th qtr.1995	2.7	2.2	2.6	−0.5	69.9
1st qtr.1996	2.7	2.2	2.7	−1.9	71.9
2nd qtr.1996	2.9	2.5			
August 1995	2.8	1.3	2.9	−0.5	68.7
September	2.5	1.8	2.7	−1.4	69.8
October	2.8	2.3	2.7	−0.8	69.3
November	2.6	2.1	2.5	−0.5	69.8
December	2.5	2.3	2.7	−0.4	70.6
January 1996	2.7	2.2	3.4	−1.3	71.5
February	2.6	2.0	2.6	−2.4	71.8
March	2.8	2.4	2.2	−1.9	72.3
April	2.9	2.5	3.5	−1.3	72.9
May	2.9	2.3	3.4	−1.3	73.4
June	2.8	2.7			
July		2.8			

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.9	95.3	101.4	102.8	118.5
1987	101.3	92.5	103.1	100.0	122.8
1988	102.4	92.3	107.8	96.0	131.0
1989	105.1	94.2	114.0	96.8	123.5
1990	108.4	95.7	120.1	99.7	108.2
1991	111.9	96.8	124.2	103.9	113.2
1992	114.0	95.9	125.6	112.8	114.5
1993	115.4	94.3	125.8	118.9	131.9
1994	116.2	92.8	128.4	118.5	137.4
1995	115.9	92.0	132.5	116.9	138.3
3rd qtr.1995	−0.2	−0.7	3.7	−0.7	138.9
4th qtr.1995	−0.8	−0.7	3.2	−1.2	126.3
1st qtr.1996	−0.3	−0.9	1.8	−0.8	122.1
2nd qtr.1996	0.2				
August 1995	−0.4	−0.7	0.3	0.0	136.3
September	0.0	−0.6	2.3	−0.8	129.2
October	−0.8	−0.8	2.3	−2.2	127.2
November	−0.9	−0.6	1.2	−0.5	125.6
December	−0.5	−0.8	4.3	−0.8	126.2
January 1996	−0.5	−0.8	−0.1	−2.5	122.3
February	−0.3	−0.9	3.0	−2.5	122.0
March	−0.1	−0.9	2.7	3.3	121.8
April	0.3	−0.9	2.4	−0.1	120.8
May	0.2	−0.8	1.5		122.3
June	0.0				
July	0.6				

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.6	103.8	107.5
1987	100.1	95.0	107.9	107.1	110.9
1988	101.4	96.2	112.6	106.9	109.9
1989	104.2	99.3	117.1	108.0	107.6
1990	107.0	101.0	123.5	110.3	110.0
1991	110.9	103.4	131.3	115.0	107.6
1992	116.6	104.9	138.2	121.5	110.2
1993	121.7	106.1	145.8	125.9	111.6
1994	125.1	105.7	150.8	118.1	110.0
1995	127.4	107.5	155.8		115.1
3rd qtr.1995	1.7	1.9	3.3		114.6
4th qtr.1995	1.7	1.3	4.3		114.7
1st qtr.1996	1.6	−0.2			112.4
2nd qtr.1996	1.5	−0.6			
August 1995	1.7	1.8	n.a.		114.2
September	1.8	1.9	n.a.		113.8
October	1.8	1.6	n.a.		115.5
November	1.7	1.3	n.a.		114.7
December	1.8	1.2	n.a.		114.0
January 1996	1.5	0.0	n.a.		112.9
February	1.6	−0.2	n.a.		112.5
March	1.7	−0.3	n.a.		111.8
April	1.5	−0.5	n.a.		110.5
May	1.7	−0.5	n.a.		109.2
June	1.4	−0.8	n.a.		
July	1.6		n.a.		

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	98.0	104.5	101.6	103.4
1987	105.9	98.1	107.8	103.0	104.7
1988	108.8	102.9	111.1	104.1	102.2
1989	112.6	108.2	115.4	106.2	99.7
1990	116.5	107.1	120.6	109.8	103.0
1991	120.2	105.9	125.8	113.4	100.8
1992	123.1	104.3	130.3	115.6	104.3
1993	125.6	101.6	133.5	118.1	106.6
1994	127.7	102.7	135.9		106.3
1995	130.0	109.7	139.0		106.3
3rd qtr.1995	1.8	7.8	2.6		106.4
4th qtr.1995	1.9	3.3	2.6		107.2
1st qtr.1996	2.1	−1.2	2.8		106.7
2nd qtr.1996	2.4				
August 1995	1.9	n.a.	n.a.	n.a.	106.4
September	2.0	n.a.	n.a.	n.a.	106.6
October	1.8	n.a.	n.a.	n.a.	106.8
November	1.9	n.a.	n.a.	n.a.	107.8
December	2.1	n.a.	n.a.	n.a.	107.1
January 1996	2.0	n.a.	n.a.	n.a.	107.1
February	2.0	n.a.	n.a.	n.a.	106.5
March	2.3	n.a.	n.a.	n.a.	106.5
April	2.4	n.a.	n.a.	n.a.	106.4
May	2.4	n.a.	n.a.	n.a.	105.9
June	2.3	n.a.	n.a.	n.a.	
July	2.2	n.a.	n.a.	n.a.	

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.5	102.2
1988	116.5	106.8	118.4	109.7	100.9
1989	124.2	113.1	125.6	112.3	105.3
1990	131.7	117.8	134.7	118.8	112.0
1991	140.3	121.7	147.9	129.5	113.2
1992	147.7	124.0	155.9	134.4	109.6
1993	153.9	128.7	161.6	136.7	95.4
1994	160.0	133.5	167.0	137.9	93.4
1995	168.6	144.0	172.2		90.5
3rd qtr.1995	5.7	9.0	3.6	9.2	92.0
4th qtr.1995	5.9	7.2	3.9		93.5
1st qtr.1996	5.0	4.8	3.3		98.3
2nd qtr.1996	4.2				
August 1995	5.8	9.0	3.4	n.a.	92.5
September	5.8	8.7	3.9	n.a.	94.1
October	5.8	7.9	3.9	n.a.	92.5
November	6.0	7.2	3.9	n.a.	93.4
December	5.8	6.5	3.9	n.a.	95.0
January 1996	5.5	5.9	3.2	n.a.	97.1
February	5.0	4.9	3.3	n.a.	98.7
March	4.5	3.6	3.2	n.a.	99.4
April	4.5	2.8	3.4	n.a.	100.8
May	4.3	1.3		n.a.	103.1
June	3.9			n.a.	
July	3.8			n.a.	

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	105.1	94.2
1987	107.7	104.9	116.3	107.5	94.6
1988	113.0	108.7	128.2	110.3	101.8
1989	121.8	113.9	137.2	115.1	100.5
1990	133.3	121.0	150.1	122.7	101.4
1991	141.2	127.5	162.4	129.5	104.4
1992	146.4	131.5	173.1	130.5	100.9
1993	148.7	136.7	180.9	130.4	93.2
1994	152.4	140.1	189.5	130.1	94.1
1995	157.6	145.9	197.9	134.2	90.8
3rd qtr.1995	3.7	4.4	4.3	3.2	90.7
4th qtr.1995	3.2	4.4	3.9	4.2	90.2
1st qtr.1996	2.8	3.6	4.4	3.6	90.5
2nd qtr.1996	2.3	2.8			
August 1995	3.6	4.4	4.2	2.8	90.8
September	3.9	4.4	3.9	2.8	91.4
October	3.2	4.4	4.0	3.9	90.8
November	3.1	4.4	3.7	4.2	90.0
December	3.2	4.4	4.1	4.6	89.9
January 1996	2.9	3.8	4.0	2.9	90.1
February	2.7	3.7	4.6	4.2	90.8
March	2.7	3.4	4.6	3.6	90.6
April	2.4	3.2	4.3	3.2	90.7
May	2.2	2.8	4.0	2.9	91.7
June	2.1	2.5			
July		2.2			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

NEWS: UK

Pressures on manufacturing prices fall

By Gillian Tett, Economics Correspondent

Inflationary pressures in manufacturing fell to their lowest level for three decades in July, boosting the government's hopes that retail prices will stay low in the run-up to the next general election.

The fall led some economists to warn that Mr Kenneth Clarke, the chancellor of the exchequer, may be tempted to cut interest rates again in the coming months, following the reduction in rates to 5.75 per cent in early June.

However, the Bank of England, the UK central bank, warned last week that rates should rise again soon. Consequently, any call for lower rates is likely to be resisted by Mr Eddie George, bank governor.

Mr Kevin Darlington, UK economist at stock brokers Hoare Govett said: "The crunch time for monetary policy is imminent. The lowest rate of underlying output price inflation for almost 30 years could prove too mouth-watering for the chancellor to resist."

The Office for National Statistics said that output prices fell a seasonally adjusted 0.1 per cent in July – the third consecutive monthly fall. This took the annual rate to 2.2 per cent.

Excluding the volatile elements of food, drink, tobacco and petroleum, the price level also fell 0.1 per cent. This was the first monthly drop for core goods since 1967, and it pushed the annual price increase down to 1.5 per cent – also the lowest rate for thirty years. The key factors in the fall were sharp monthly drops in the price of office equipment, base metals, wood products and pulp, paper and publishing.

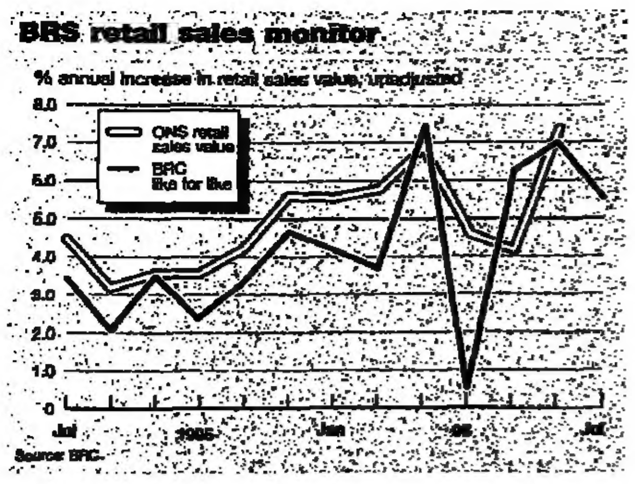
The Treasury yesterday welcomed the data as "exceedingly good figures" which "underscored the low inflation prospects".

However, with retail prices inflation data due later this week, the main issue the City of London is now watching is whether the low manufacturing prices will feed through to the retail sector as well.

Some economists fear that the low price pressures might not feed through if consumer demand surges over the next year, tempting shops to raise prices.

The price level of raw materials and fuels purchased by industry fell 0.8 per cent in the year to July. Excluding volatile items, it fell 6.7 per cent in the year. This was the largest fall since 1986.

The fall partly reflected the recent strength of sterling. However, the most significant factor was a sharp drop in commodity prices, that has recently reversed the sudden spiral in these prices last year. Goods purchased by the pulp and waste products industry, for example, were 40 per cent cheaper in July than a year earlier. Meanwhile while goods for the metal industry were 12.1 per cent cheaper, and chemical inputs were 7.2 per cent lower.



Poor summer weather hits retail sales

The annual growth in retail sales fell to 5.4 per cent in July from 7 per cent in June because poor weather hit sales of ice-cream, soft drinks and summer items, the British Retail Consortium reported yesterday, Gillian Tett writes.

But the underlying trend remains healthy, with the housing sector in particular reporting steady business.

Sales have grown steadily since the start of the year, and the data reinforced hopes of a healthy – albeit unspectacular – revival in consumer spending.

The retail consortium said that the value of sales for "like for like" items remained healthier than the average increase of 4.1 per cent in the first four months of this year, and the 2.7 per cent annual increase reported since last year.

The consortium figures are collected from 75 big retailers, representing about half of all sales.

Mr Hugh Clark, consortium trading policy director said: "The rate of increase did not match the strong performance achieved in May and June.

"However, increasing consumer confidence, a strong housing market and good sales of clothing and footwear resulted in a broadly based solid performance."

Lawyers grapple with 'get rich quick' schemes

The case involving a US-based pyramid operation has highlighted loopholes promoters can exploit

The Department of Trade and Industry last week won another battle against "get rich quick" pyramid schemes, but the war is far from over.

Not only is the appointment of a provisional liquidator to Titan International LLC, the US-based vehicle for the latest scheme, subject to appeal, but the High Court judgment left room for consolation for Titan's promoters. Mr Justice Blackburne turned down the DTI's request to have a provisional liquidator appointed to a second US company, Titan International Inc, for lack of jurisdiction. Moreover, albeit with "considerable hesitation", he found both companies fell outside the net of the Financial Services Act.

Under the Titan scheme, memberships were sold for £3,000 ($4,680) to people who hoped to recoup their outlay by finding new recruits. Depending on their seniority, members were paid commissions ranging from £450 to £1,220 for each recruit.

Since Titan promoters have deep pockets – they have spent £1.5m so far in defending the latest scheme and a predecessor which was outlawed earlier this year – the latest judgment may only serve as a challenge to their ingenuity.

At one point, the court was told last week, Titan had nine barristers working on the case. It engaged Professor Patrick Minford, one of the chancellor of the Exchequer's economic advisers, to help in devising the latest scheme. Yesterday, Prof Minford was on holiday and could not be reached for comment. Liverpool Macroeconomics, his consultancy, said: "No one else has been involved with it."

The judgment underlines the thin legal line of defence against schemes which judges have regularly denounced as "inherently objectionable". Although the DTI has a good record of stopping such schemes eventually – Titan is the 13th it has moved against in the past two years – it takes time to do so.

In part, this is because it must persuade a judge that a specific scheme is an illegal lottery. Parliament has refrained from defining a lottery, so in each case there is a question of how much, if any, "skill" is involved.

The common sense conclusion – that the last members in will inevitably lose their money – is insufficient to carry the day. In the meantime, the DTI estimates that 17,000 people have lost £10m through the Titan schemes.

The odds should move in the DTI's favour once the Trading Schemes Act 1996 takes effect by the end of the year. This brings "money circulation schemes" like Titan under the umbrella of the Fair Trading Act and gives the DTI broad powers to re-draft regulations in the light of new developments. It also puts the burden on a scheme's promoter to demonstrate its exemption.

New schemes are called to the DTI's attention each week. According to police and local authority officials, pyramid schemes are attracting a hard core of sophisticated operators who know the legal limitations.

Detective Superintendent Tim Salt of West Midland Police fraud squad officer said: "It may be difficult to investigate the criminality of these schemes when police resources are tight. It takes a lot of courage to say that we will concentrate on this type of case for three years and risk the possibility that there are no criminal charges. In cases where people are duped, they are reluctant to come forward because of embarrasment."

Evidence from Birmingham council officers suggests that pyramid schemes are increasingly dressed as so-called "home-working" schemes. Members are offered "work" such as addressing envelopes but in fact earn money by recruiting new members.

Mr Lloyd Lee, a former electronics lecturer from Cardiff, was persuaded to join one scheme by a friend who had previously joined a number of pyramid operations. Within four months, the scheme – Moneywise Money Plan in Thatcham, Berkshire – had attracted about 3,000 investors before it collapsed in October last year.

Mr Lee, who lost more than £600, says he joined although he was wary of pyramid schemes. "It was not clear to me that this was a pyramid scheme. When you have them explained, you think there is a chance of losing your money. But you also see that if you get a few people under you, there is a chance of making a lot of money. You know it is a gamble, but they put it in a very persuasive way."

In last week's hearings, the courtroom was packed with Titan members who hoped the scheme would survive. At least one was avidly studying his copy of the DTI's consultation document on pyramid schemes. For the ingenious and resourceful, there is always the hope of finding a loophole.

Clay Harris
Richard Wolffe

Observer, Page 11

UK NEWS DIGEST

Electricity review expected

National Grid Group, the company that owns and operates Britain's high-voltage electricity transmission system, was last night bracing itself for a tough review of its operations by Professor Stephen Littlechild, head of Offer, the electricity industry regulator.

The Offer chief will this morning publish his preliminary findings, which will determine the framework under which National Grid operates until 2002, after a year-long review.

At issue for the company and investors is the value Prof Littlechild gives to 'X' in his calculation of 'RPI-X' – the formula which governs by how much National Grid will be able to raise its prices.

In anticipation of swingeing cuts to National Grid's profits, the London stock Exchange has been an active seller of the company's shares. Yesterday National Grid closed 1 pence up at 175½p, compared with a high for the year of 209½p. *Simon Holberton, London*

■ MONARCHY

Call for radical change

The opposition Labour party yesterday repudiated a report calling for radical changes to the powers of the Queen, including transferring her remaining political powers to the speaker of the Commons.

The Conservatives sought to exploit the pamphlet by the Fabian Society – the veteran political group – suggesting it formed part of Mr Tony Blair's thinking on constitutional reform. But aides said the Labour leader was a "strong supporter of the monarchy and sees no need for reform".

The paper, written by prospective Labour candidate, Mr Paul Richards, calls for the Queen to be replaced as head of the British Commonwealth by a rotating presidency, similar to the European Union system.

It also suggests a referendum on the monarchy every 10 years. *John Kampfner, London*

■ FILM INDUSTRY

Independence Day sales 'record'

After smashing box office records in the US, *Independence Day*, the latest Hollywood blockbuster movie, has achieved the same feat in the UK by taking an unprecedented £6.82m ($10.63m) in its first weekend.

Despite being panned by critics as a digital effects-laden B-movie, *Independence Day*, has played to packed cinemas all over the world.

In the UK, the takings for its first weekend, which includes previews and the first three days of general release, were well above those of the previous record-holder, 1993's *Jurassic Park* with £4.88m and 1995's *Batman Forever* with £4.71m. *Alice Rawsthorn, London*

■ TUBE STRIKE

Unions to consider offer

A strike planned on the London Underground railway today was suspended last night when two trade unions decided to ballot their members on a new pay and hours offer. But there may be more strikes later in the month because one of the two unions involved is to urge its members to reject the offer. *PA News*

NatWest takes lead in corporate banking

By George Graham, Banking Correspondent

National Westminster Bank has overtaken Barclays to take the biggest share of the UK corporate banking market, according to a new review by Chartered Banker, the magazine of the Chartered Institute of Bankers.

The survey showed NatWest with 67,657 business customers at the start of this year, giving it a 25.6 per cent market share of the 264,528 businesses covered by the research. That puts NatWest's market share nearly 1 percentage point above Barclays, whose market share has dropped by 1 point over the last year and by nearly 3 points since 1992 to 24.8 per cent. If the 0.38 per cent share of its subsidiary Coutts were added, NatWest's edge would be even greater.

Lloyds TSB has also lost market share over the past three years, although it gained slightly over the last year to 15.7 per cent. Midland Bank, part of the HSBC group, saw its market share recover last year to 13.7 per cent.

Also gaining ground in the corporate market were Royal Bank of Scotland, Bank of Scotland and Yorkshire Bank. Yorkshire, now owned by the National Australia group, has boosted its corporate customer base to 6,676, increasing its share from 1.98 per cent in 1992 to 2.52 per cent at the start of this year, although Clydesdale, also part of the National Australia group, showed a slight decline.

Lord Alexander, chairman of NatWest, said his bank had been focusing on the corporate market. "There is no question of our buying market share by relaxing lending standards," he said.

The Chartered Banker survey measures just the number of companies for which each bank is listed as main banker. It is not weighted by size of business and does not take account of multiple banking, which is more prevalent among larger businesses.

Barclays has been losing customers mostly at the smaller end of the market. Over the past year it shed nearly 1,400 businesses with turnover under £1m ($1.56m) a year, while gaining 31 larger customers with turnover above £100m. Although Barclays remains the largest bank in the middle market of companies with turnover between £1m and £100m, with a market share of 25.5 per cent, it lost another 282 customers in this segment, too.

In a more detailed survey of the 500 largest companies in the UK, Chartered Banker found that NatWest was rated by finance directors as the top bank for short and medium-term loans, treasury management, leasing, foreign exchange and international trade finance. Barclays was preferred for current and deposit accounts, for bond finance and as an arranger of syndicated loans.

Legal challenge to Lloyd's adjourned

By John Mason and Jim Kelly

Rebel investors at Lloyd's of London yesterday won an adjournment of their judicial review challenging the legality of the market's recovery plan.

Despite claims by Lloyd's that the Paying Names Action Group was acting in bad faith and trying to hold the insurance market to ransom, two High Court judges agreed to postpone the hearing until Wednesday.

The Paying Names Action Group represents those who paid their bills and believe they are being disadvantaged compared with Names who are having debts written off in the restructuring. The case, due to start yesterday, is being rushed through the courts before the August 28 deadline for lossmaking Names to accept the proposed £3.2bn ($4.99bn) out-of-court settlement essential to the success of Lloyd's restructuring.

The judicial review hearing is expected to last three days with a judgment on Monday. If the Names win, Lloyd's will have little more than a week to take the case to the Court of Appeal.

Asking for the adjournment, Mr Thomas Keith, for the Names, said the delay was needed to overcome the action group's difficulties in raising more than £400,000 needed to mount the legal challenge.

Mr Peter Scott QC, for Lloyd's, said the real reason for the delay was that the action group was hoping to increase pressure on Lloyd's to hold further negotiations and agree to a more favourable settlement.

● In the latest auction of underwriting capacity at Lloyd's a total of £197m of underwriting 'capacity' – the amount of insurance business that can be underwritten – was successfully auctioned for £4.3m. So far this year £378m of capacity has been auctioned realising £8.9m for 112 syndicates.

Soccer strike threat over television deal

By Patrick Harverson in London

The possibility of a strike disrupting English soccer increased yesterday when the players' union confirmed it would ballot members on industrial action over its dispute with the Football League about the distribution of television income.

The Professional Footballers Association – whose management committee voted unanimously on Sunday to issue ballots to players requesting approval for a strike – said it hoped the threat of industrial action would persuade the Football League to reverse its decision to stop paying the union 10 per cent of television broadcast rights.

Yesterday the Football League accused the PFA of being "oblivious to the realities of football's new market-place".

The league recently announced that it would change its long-standing policy on sharing television income for this season, when a new annual £25m ($39m) deal with British Sky Broadcasting, the satellite broadcaster, replaced the previous £9m contract with ITV.

Under the old system, the PFA would have got £2.5m from the new BSkyB deal to spend on player insurance, educational initiatives and benevolent schemes.

However, the league has informed the PFA that from this season the size of its payments to the union will be discretionary.

Although the threatened strike action does not affect the Premier League – the dispute only concerns the Football League, which runs Divisions One, Two and Three in England – the PFA warned yesterday that it might run into similar problems with the top flight clubs next season.

If the PFA members did vote to strike, it would be the first industrial action ever taken by British soccer players.

The latest step to revive the moribund state of British sport was taken yesterday when the National Lottery Sports Fund distributed £30m ($46.5m) to schemes and initiatives throughout the country, Patrick Harverson writes.

More than 20 sports will share the money, ranging from bowls to sub-aqua. The Lottery Sports Fund said all the money was for schemes that would allow the public to participate.

The distribution of funds comes amid a debate over the shortage of money for sport in Britain sparked by the country's poor showing last month in the Atlanta Olympics.

Green issues re-emerge with prosperity

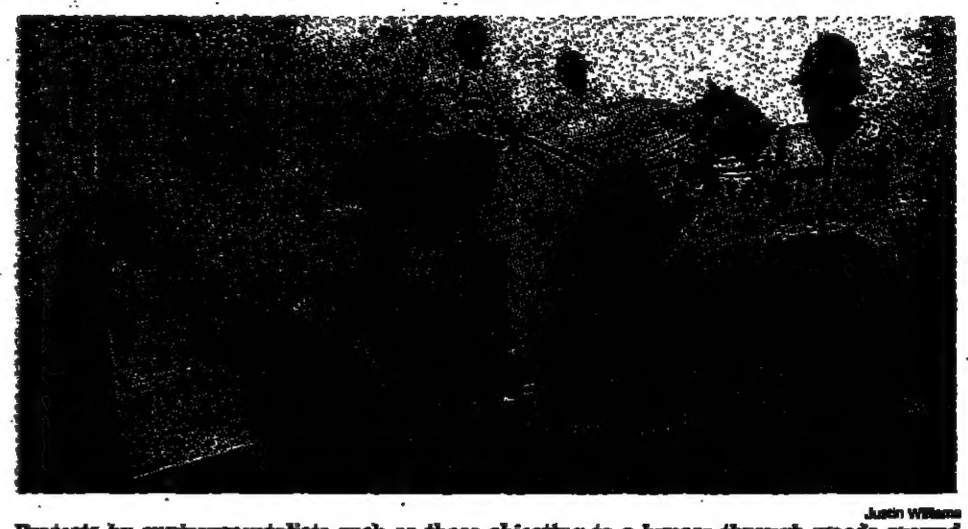
Environment back on the agenda as politicians respond to public concern

Green politics are making a comeback in the UK. After seven years of dwindling political interest in the environment, the issue is back on the agenda. Even the opposition Labour party, reticent on the subject in recent years, is starting to stir into action.

Environmental fervour peaked in the late 1980s, and in 1988 Mrs Margaret Thatcher, then prime minister, was moved to make her first big speech on the environment. A year later Time magazine devoted its "man of the year" cover story to the planet Earth.

In 1989 the Green party rocked the political establishment in Britain when it secured 15 per cent of the vote in elections for the European parliament, but then things started to go quiet. As recession set in, the environment took a back seat to issues with greater short-term political resonance such as unemployment.

But as the economy improves, politicians are taking the environment seriously again. Mr John Gummer, the environment secretary, had until recently been regarded by Tory colleagues as somewhat eccentric for putting green issues at the top of his personal agenda. Now Labour insiders acknowledge he is scoring political points, even if his critics say he is a lone voice in government.



Justin Williams

Protests by environmentalists such as those objecting to a bypass through woods around Newbury in Berkshire have demonstrated the strength of public feeling over green issues

His outspoken criticism of other developed nations at last month's environmental conference in Geneva for making slow progress in tackling greenhouse gas emissions was welcomed by environmental groups.

Labour says the government's green achievements are purely a result of circumstance. For example, it says Britain has only met its targets for cutting carbon dioxide emissions by virtually closing down the coal industry and moving to gas-fired power stations.

Nevertheless, Mr Gummer's trumpeting of his green credentials has spurred Mr Tony Blair, the Labour leader, to take action. Earlier this month he announced he was reinstating the environmental protection portfolio in the shadow cabinet.

However, green groups have expressed concern at the lack of weight given to the environment in Labour's "Road to the Manifesto" document, which contained no reference to the "sustainable development" mantra of the environmental lobby.

They laid much of the blame at the door of Mr Frank Dobson, shadow environment secretary, whose lack of enthusiasm for the green agenda was well known. Mr Dobson's brief has now been split, with green issues – apart from water policy – given to Mr Michael Meacher.

Mr Dobson's impatience with the goals of the green lobby is clear. "The thing that most irritated me was that a lot of them based their idea on the American approach that things should be done through tax," he said. "Making people green through tax is all very well unless you don't happen to have a lot of money."

Labour is expected to become more active in the area under Mr Meacher. His staff say he is determined to reinvigorate policy proposals based on the party's last major green statement – the 1994 document In Trust for Tomorrow.

Lord Melchett, executive director of Greenpeace UK, says that In Trust for Tomorrow had significant implications, but feared Labour may lack the commitment to see many of its ideas through.

The paper, if implemented, would require larger companies to report on environmental performance and strategy, a revised regulatory regime requiring British Gas and regional electricity companies to provide energy efficiency services, and a target of 10 per cent electricity generation from renewable sources by 2010.

It also commits Labour to putting environmental concern at the heart of policy-making in every area. A Labour government would submit an annual sustainable development plan to parliament, policed by an environmental audit committee. The document also commits Labour to reduce UK carbon dioxide (CO_2) emissions by 20 per cent by 2010 – far higher than the 5-10 per cent reduction from 1990 levels favoured by the government.

Lord Melchett claims Mr Blair's environmental speech to the Royal Society in February suggested he was less than enthusiastic about implementing the paper.

Nevertheless, Labour recognises that green issues are re-emerging as a significant political issue, as evinced by public anger over the disposal of the Brent Spar oil platform and the Newbury bypass. A Mori poll for The Times in July 1996 found that 20 per cent of people said they rated the environment as an important issue – more than Europe, defence or trade unions.

George Parker

TECHNOLOGY

BEHIND THE NET

Sun Microsystems' Java programming language has taken the computer industry by storm because it allows programmers both to create a single software program that can run on different computer systems and use the Internet to distribute programs. Now Lucent Technologies, recently spun-off from AT&T, the US telecommunications group, has unveiled a technology that it claims offers more than Java – although the similarities look more obvious than the differences.

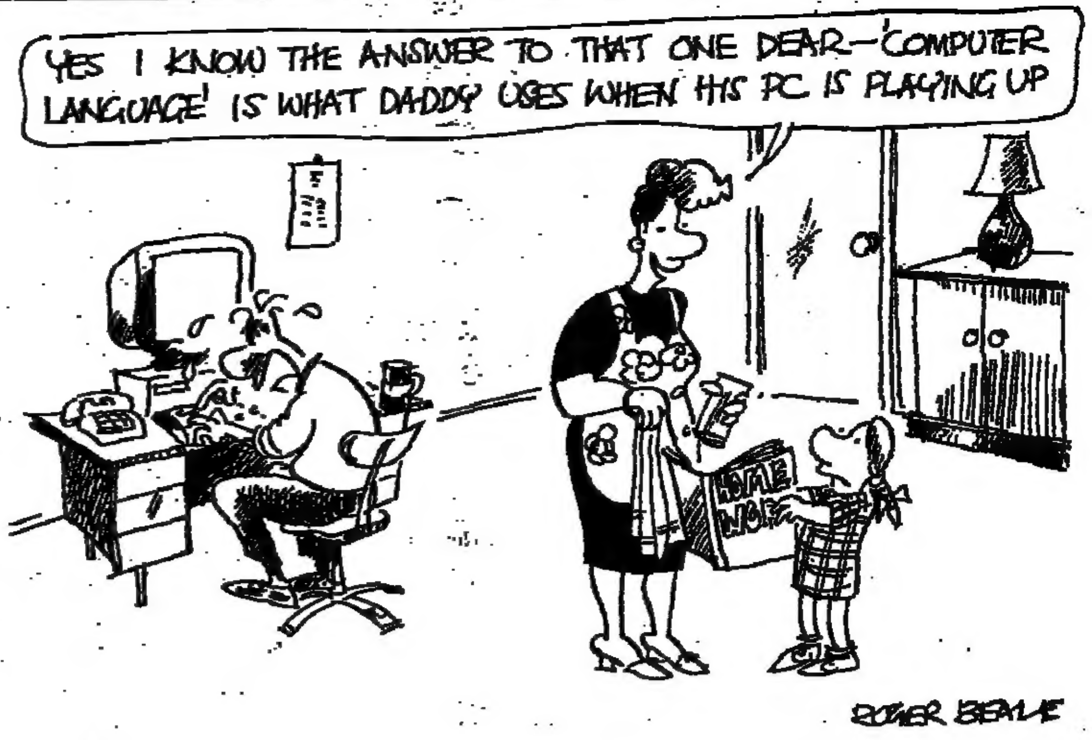
Lucent's Inferno operating system and Limbo programming language will provide programmers with the same cross-platform capabilities as Java. Lucent says that Inferno and Limbo have features that make it suitable for running the same application on a wide range of electronic devices, ranging from hand-held computers to large computer systems, in addition to video games consoles and set-top TV cable boxes.

Mike Skarzynski, vice president and general manager of Lucent's Inferno business unit, says Inferno does not compete with Java, although the two have strong similarities.

"Inferno wasn't inspired by Java. We started working on Inferno about a year ago because we saw a real need to solve some of the challenging issues facing network service providers and programmers. Programmers want to write a single application that is not constrained by the network or different hardware platforms," Skarzynski says.

Tom Foremski on rival computer languages that create single programs to run on different systems

Inferno takes on Java



The Inferno operating system is designed to be very small, requiring just 1MB of memory, compared with operating systems such as Microsoft Windows 95 which require eight times as much memory. The small size of Inferno makes it possible to fit into inexpensive computer devices such as set-top TV cable boxes and video games consoles.

Inferno is designed to run on a several hardware platforms ranging from Intel microprocessors to IBM PowerPC microprocessors. As with Java, this means that programmers can create a single software program and run it on many devices, saving substantial programming time.

Lucent gives the example of an application of an interactive shopping catalogue. A user accessing that application over a standard computer modem and telephone line may see text and still pictures, but someone with a faster connection, such as a cable modem operating over cable TV networks, might receive video clips, text and audio. Meanwhile, the user of a hand-held computer with a small screen and maybe a slow wireless connection, might simply see the text part of the catalogue. With Inferno the software developer would create just one application instead of several different ones specific to each type of user.

Inferno and the Limbo programming language are currently available in an early test version with commercial release scheduled for the end of this year. But industry observers say that Lucent has its work cut out in establishing the technology and attracting third-party software developers and hardware suppliers to support it.

"Inferno will attempt to go into many of the same markets that Java is in but it will face an uphill climb in trying to match the momentum behind Java," says Ross Scott Rubin, analyst at US market research firm Jupiter Communications.

Rubin points out that all the major operating system companies such as Microsoft, IBM, Novell and Apple Computer have pledged to include Java support within their operating systems. In addition, thousands of programmers are working on creating Java-based programs.

"Inferno is very similar to a technology called Telescript from General Magic, of which AT&T was a big supporter not too long ago. AT&T hasn't had a great track record with Telescript which, unlike Inferno, started off with a reasonable amount of computer industry support," says Rubin.

Telescript has, so far, failed to fulfil its initial promise, and AT&T has scrapped a communications network that featured support for Telescript.

Skarzynski says a key factor behind the creation of Inferno was to develop a way of avoiding all the potential roadblocks that arise as different communications technologies converge. For example, the Internet is becoming a type of melting pot where interactive TV, telephone networks, and other communications networks are converging. This produces a jumble of different network and communications standards, hardware platforms and network hardware.

Currently, applications have to be developed that are specific to the hardware, operating system and network technologies involved. With Inferno, this jumble is resolved through the use of a cross-platform technology.

But to establish Inferno, Lucent will have to create the same kind of excitement that Sun has built around Java – with a large number of industry partners. Skarzynski says Lucent will announce the first group of third-party Inferno supporters within the next few months.

Despite Lucent's claims that Inferno and the Limbo language do not compete with Java, Jim Mitchell, chief technology officer at Sun's subsidiary JavaSoft, sees things differently, especially since JavaSoft recently announced an operating system for Java called JavaOS.

"Inferno could do some damage to us by having competing things at the language level and the world being confused about it. I would say that JavaOS and Inferno are in competition. They are aiming at some markets, such as telephone switching systems, where we haven't been that heavily involved, but there are lots of other things – like telephones – where we will be in competition," Mitchell says.

Skarzynski believes there is plenty of room for both technologies. Inferno, he says, can be used to run Java applications and Lucent will offer Java support if customers request it.

Both Inferno and Java face another issue: will they be able to fulfil the promise of cross-platform applications in commercial terms? "We'll have to wait and see," says Rubin. "MIS [management information systems] managers care about cross-platform applications but the average user doesn't."

This is part of an occasional series on Internet technology issues.

Building blocks on the Internet

Geoff Nairn examines a computer-aided design solution for engineers

The phrase "paperless office" has a hollow ring to many engineers and architects, but new computer-aided design (Cad) systems could overcome their scepticism and reduce the paper mountains.

The systems marry object-oriented technology – which uses "intelligent" objects rather than mere geometrical shapes – to the Internet. And using the Internet is a hot topic in architectural, engineering and construction (AEC) firms, especially for collaborating better on big projects.

Increasing globalisation means dealing with suppliers on the other side of the world, but the existing way of working, with endless faxes, e-mail messages and review meetings, is inefficient.

"One of the most difficult parts of getting a project designed and built is the communications, as these projects have become very complex," says Tomas Hernandez, associate partner with the New York-based architectural firm Kohn Pedersen Fox.

Designers depend heavily on graphical information, such as structural drawings and photographs. The Cad industry is therefore developing technology to allow engineering firms to create visual databases on the World Wide Web, the graphical section of the Internet. Each project would have a home page containing a variety of information, including Cad files, specifications, links to suppliers' pages, site pictures and schedules.

The theory is fine, but implementation is not easy. Security is one challenge, another is compatibility: Cad suppliers traditionally use proprietary file formats, making it difficult to transfer Cad files between different systems. For Net-based engineering collaboration to work, the files on the Web page must be accessible to all contractors and the download times must not be excessive.

In June AutoDesk, the leading supplier to the AEC market, unveiled software that permits users of its AutoCad product to publish their drawings in a compressed format on the Web. The standard is proprietary, although AutoDesk offers it freely to others.

A further complication is that the Cad industry is on the brink of a technological revolution. Cad systems are today mostly used in the AEC sector as simple electronic drafting boards, producing drawings that are then reviewed and altered manually using red pencil. More sophisticated Cad systems do more – if a beam's width is increased, the length of the bolt holes through it will automatically be increased – but the technology is still limited.

The new approach for the Cad industry is object technology. Combined with the Internet, it could reduce the time designers spend in review meetings and improve their creativity. The Cad models are built not with the traditional geometric shapes but with objects that represent real-world components. They are "intelligent" because they have mini-programs attached which allow them to interact with other objects.

If an architect places a "window" object against a "wall" object, the program will automatically open a hole in the wall, insert the window and create the correct type of window frame, chosen from a supplier's catalogue of standard frames.

"Object technology allows designers to incorporate their own design rules and as these travel with the objects, people will trust the Cad models a lot more," says Keith Bentley, chief executive of Bentley Systems. The US company is developing an object-based successor to its MicroStation Cad software, due out in 1997.

Bentley sees a day when architectural suppliers, instead of distributing glossy catalogues, will create a Web page with objects representing their products that can be downloaded by contractors over the Internet.

"This is the direction the industry is going: libraries of millions of objects that know how to adapt to their environment and with the Internet providing low-cost transactions," says Charles Foundyller, analyst with the US research firm Daratech. Each object could be downloaded for £10-£15, he forecasts.

To resolve the problem of incompatible file formats, a new standard, called Industry Foundation Classes (IFCs), is being drawn up. This should allow designs to be transferred between IFC-compliant systems without losing the objects' intelligence, but the AEC industry has still to be convinced that the days of the red pencil are finally over.

"Architectural projects are an ideal application for a Web site but the technology is not there today," says Hernandez.

INTERNATIONAL PEOPLE

Easdaq names its overseers

Easdaq, the Belgian-based European version of Nasdaq that is due to begin trading at the end of September, last week named the market authority which will supervise its day-to-day operations. Its four members, elected by the Easdaq board and approved by the Belgian finance minister, are Jacques Putzeys, chief executive (pictured); Anthony Preece, head of surveillance; Erik Hallmann, head of admissions; and Dirk Tirez, head of memberships and general counsel.

While the authority claims to be "fully autonomous", it is composed solely of full-time Easdaq officials. However, the Belgian authorities have recently introduced a similar arrangement for the domestic stock exchange. The market authority serves as the "first line" supervisor, with the Belgian Commission for Banking and Finance as the "second line".

Preece arrives at Easdaq from Barclays Global Security Services, and was previously at the London Stock Exchange. Hallmann, who is German, was director of NatWest Markets, specialising in international primary offerings. And Tirez, a Belgian, steps down shortly as legal counsel to the cabinet of the Belgian finance minister. *Katharine Campbell*

O'Reilly jnr rises

Tony O'Reilly (junior) admits that his father, probably Ireland's best known businessman, helped him get his first job at Arcon International Resources. At the time, O'Reilly senior, his family and associates, owned 29 per cent of Arcon, which is developing Ireland's first new base metals mine for 20 years. That stake has since risen to 45 per cent.

But O'Reilly junior (pictured) makes it clear he was not sent to Arcon temporarily to look after the family interests. He says he asked to get involved, having caught the mining bug when he specialised in the natural resources sector while with the corporate finance team of Coopers & Lybrand in New York.

Still only 29, he has plenty of time to build Arcon from its present position as an Irish "junior" mining company into a medium sized international group.

He takes over as Arcon's chief executive in November, just after the company's I£100m zinc-lead mine at Galmoy in County Kilkenny is scheduled to produce its first metal. He replaces Brendan Gilmore, O'Reilly senior's personal financial adviser, who stepped in at short notice as chairman and chief executive in October 1994 after a row saw the departure of four directors, including Professor Richard Conroy, Arcon's founder. At that time O'Reilly junior became deputy managing director. Gilmore, who owns his own financial consultancy, will continue as chairman. *Kenneth Gooding*

Oracle reshapes

Oracle, the world's second largest computer software company, last week named Pier Carlo Falotti, aged 54, to run its fast-growing Europe, Middle East and Africa division, which is to be reorganised along industry rather than geographic lines.

Falotti joins Oracle from AT&T, where he was latterly responsible for all operations outside the US. He previously spent nine years as head of Digital Equipment's European, Middle East and African operations.

In his new job Falotti, who will be based in Geneva and will report to Raymond Lane, Oracle's president and chief operating officer, will be senior vice-president responsible for managing all the group's regional operations. The division employs more than 8,000 people and accounts for \$1.6bn of Oracle's \$4.2bn worldwide revenues.

Falotti's appointment is seen as underscoring Lane's determination to make Oracle's expanded operations more responsive to customer requirements. Last week's reorganisation marks a shift from an old style geographic management structure, towards a customer-led approach based on vertical industry segments. Overheads will also be cut by consolidating marketing, finance, legal and human resources functions across the division.

Initially, there will be four cross-border operations, focusing on the telecommunications, oil and gas, consumer packaged goods and financial services sectors. A fifth Europe-wide organisation will focus on Oracle's biggest customers outside these four industries. It will be headed by Bob Gordon, 50, previously president of Oracle Canada. *Paul Taylor*

DMG bags Will

Markus Will, 32, European communications manager at Merrill Lynch, has joined Deutsche Morgan Grenfell as head of corporate communications worldwide.

His appointment will address the hostile media coverage DMG has been receiving in Germany, the home of its parent, Deutsche Bank. While Deutsche Bank has come under criticism for alleged insensitivity to small businesses in Germany, DMG has had to explain its decision to focus its investment banking operations in London rather than Frankfurt.

But the hiring of will raises questions about DMG's international press relations and the relative influence of the German and British executives in charge of Deutsche Bank's investment banking effort.

Will, formerly a journalist with Borsen-Zeitung, the German business daily, arrives at DMG on the back of his acquaintance then with Ronaldo Schmitz, a Deutsche Bank board member with responsibility for investment banking.

He comes in above James Murray, the existing head of corporate communications in London, who works closely with Michael Dobson, chief executive of DMG. *Nicholas Denton*

ON THE MOVE

■ James Dorton, 40, becomes vice-president/treasurer of BOWATER, the paper group, replacing David Maffucci who became chief financial officer last November.

■ Alice Cheung joins ECHO, the US electronic clearing house, as chief financial officer and treasurer. She was previously chief financial officer of AMS, a communications company.

■ John Imlay, 59, chairman of Dun & Bradstreet Software, is to join the board of COGNIZANT, due to be spun off from Dun & Bradstreet in October.

■ Amnon Dick has resigned as managing director of SHEKEM, an Israeli department store and supermarket chain. Shekem chairman Gershon Salkind takes on his duties.

■ POLAROID has named three new corporate vice-presidents. They are: Chris De Bleser, general manager, professional and technical markets, who joined Polaroid in June from Black & Decker; Tadaaki Masuda, who chairs Polaroid's Japanese subsidiary; and Brian Poggi, head of European operations.

■ Robert Genova, chairman; Donald Roberton, vice chairman, and Frank Cohen, chief financial officer, have resigned from the board of HUNGARIAN TELEPHONE AND CABLE, as management is transferred from the US to Hungary. They will all remain consultants to the company. James Morrison is the new president and chief operating officer. William Starkey, former senior executive with GTE; Warren French, former chairman of Shenendoah Telephone, and David Finley, former IBM treasurer, join the board.

■ James Illson replaces James Brill as chief financial officer and of MERISEL, the computer distribution group. He is currently chief financial officer of Bristol Farms, a Californian grocery concern,and previously spent 13 years with Deloitte & Touche.

■ Robert Van Gleson joins CNA, the US insurance group, from the Chubb Group, as president and chief executive, global operations.

■ Ronald Gardhouse moves to general manager, Asia/Pacific for CHRYSLER. He replaces Denis Root, who becomes international government affairs director.

■ Jose Manuel Sierra Peris, Javier Salas Collantes, Juan Carlos Aparicio, Jose de Carvajal Salida and Jose Manuel Fernandes Norniella, have joined the board of IBERIA, following the naming of Xabier de Irala as head of the troubled Spanish state airline. Purificacion Sanchez, Pedro Antonio Martin, Inmaculada Uribarrena and Francisco Villa join the board of sister airline Aviaco.

■ Edward McCracken, chairman and chief executive of SILICON GRAPHICS, assumes the duties of Thomas Jermoluk, who has resigned as president and chief operating officer.

■ Richard Koppes, a corporate governance specialist, has joined US law firm Jones, Day, Reavis & Pogue. He was previously general counsel of the Californian Public Employees Retirement System (CalPERS), the largest public pension fund in the US.

■ Richard Brown has been appointed as a non-executive director and a deputy chairman of HONG KONG TELECOMMUNICATIONS.

■ Jeffrey Urwin and Henry Tsang join BEAR STEARNS as senior managing directors. Urwin – who joins from Lehman Brothers – will be responsible for international investment banking, excluding Asia; and Tsang – from Merrill Lynch – for Asia, excluding Japan.

■ David Fennell, president and chief executive of Golden Star Resources, becomes a non-executive director of SUTTON RESOURCES.

■ Ian Macdonald, a member of the board, has been appointed chairman of MCGRAW-HILL RYERSON, educational and trade book publishers in Canada. This follows the sudden death of former chairman, The Honourable Jacques, Courtois.

■ Richard Zannino, 37, rises to executive vice-president and chief financial officer of SAKS HOLDINGS, and Christina Johnson to director of stores.

■ Yip Lai-shing, executive director and founding member of SUN HUNG KAI, Hong Kong financial services group, has resigned.

■ Ulrich Hocker, head of the German shareholders' lobby group DSW, has replaced Hans Peter Peters on the supervisory board of GERRESHEIMER GLAS. Gunther Berger, management board chairman, also joins the supervisory board, replacing Peter Staab, formerly of the DSW and now chief legal adviser at Lehnkering Montan Transport.

■ Colin Hermon, JARDINE FLEMING's former head of capital markets, has resigned, shortly before he was due to take a position at the company's 50 per cent shareholder, Robert Fleming. He is succeeded in Hong Kong by Russell Julius.

■ Robert Tsenin has resigned as a director of TELSTRA CORPORATION, the Australian telecoms carrier earmarked for partial privatisation.

■ Hans Barth, 54, has been named vice-president of GENERAL MOTORS Europe, in charge of the project and production support organisation, based in Zurich. Scott Mackie, 35 – formerly vice-president, planning for General Motors Europe, becomes managing director of General Motors Poland. He succeeds Mark Greenquist, who moves to a senior position within GM Finance in the US.

■ Adecco Group, which will be the world's biggest employment agency on completion of the merger of former rivals Adia and Ecco, will be chaired on an alternate basis by Philippe Foriel-Destezet, Ecco's main shareholder, and Klaus Jacobs of Adia. Foriel-Destezet will be chairman for the first year and Philippe Beauviala, hitherto chairman of Ecco TT, vice chairman. Yves Michel Perben also joins the board.

■ Tom Sommerlatte rises to chairman of Arthur D. Little's global management consulting business. Maurice Olivier, formerly managing director in Brussels, succeeds him as managing director for Europe.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Carving up the ivories

Susan Moore admires the work of a shadowy Huguenot emigré

To call David Le Marchand the Sir Godfrey Kneller of ivory-carving is hardly to do him any great service: those familiar with the stodgy portraits of the Stuart court painter's studio would be the least likely to speed their way to Room 90 of the British Museum.

Yet the careers of both emigré artists were closely interwoven. They frequently depicted the same subjects and may even have shared the same sittings. On occasion their respective portraits – of Sir Isaac Newton, the philosopher John Locke and the pioneering antiquarian the Rev William Stukeley – are strikingly similar.

Kneller achieved wordly success, progressing from principal painter to the king to knight and baronet. Le Marchand, although admired well enough in his day, unaccountably died a pauper in the French Hospital in London. But it is the work of the still shadowy figure of Le Marchand and the subject of this splendid small show, which supplies the flesh, gristle and bone lacking in so many of Kneller's flat likenesses.

In his own work, Le Marchand moves away from the formulaic low-relief profile of the medallion to more freely handled sculptural portraits carved in high relief or in the round. Despite their relatively small scale, the best of these busts and cameos seem to capture an essence of the larger-than-life characters of the age of Queen Anne and George I, whether Whig intellectuals, politicians and philanthropists or the prominent personalities of court and the City.

Le Marchand turns out to be a master of powerful physiognomy – not to mention of the cascading curl of the periwig. Witness the vital high-relief plaque of Newton, lavishly bewigged but open-necked. It is hard to believe that the wax model for this relief was not taken from the life.

Glowing at posterity in an unusually direct, full-frontal pose is Thomas Guy, who founded Guy's Hospital for the poorest and sickest of the poor from the fortune he made speculating in the South Sea Company. Newton was not so lucky. When that particular Bubble burst in 1720, he found himself £20,000 out of pocket.

Another wholly contemporary spirit is Le Marchand's fellow Huguenot, Sir John Houblon, a Lord Mayor of London and the first director of the Bank of England. His fleshy features may already be familiar to those readers who regularly handle £50 notes; he also bears a disconcerting resemblance to the late Sid James.

Le Marchand's connections with the personalities of the early Bank of England, particularly with the Raper family of silk merchants, are discussed at length in Charles Avery's handsome accompanying catalogue. The Rapers, who produced no less than three of the Bank's directors, were Le Marchand's greatest allies and patrons. Not only did they commission family and other portraits (some only known through later Wedgwood moulds) and sing his virtues to influential friends, but they also commissioned his likeness from Joseph Highmore.

Highmore's canvas portrays the carver with an almost half life-size bust of Newton – a tour-de-force perhaps only excelled by a missing bust of Locke recorded in photographs. Both fabulously costly works appear to have been Raper commissions. The Newton was presented to the BM by Mathew Raper III, who was also one of the museum's founders. Another sitter, Sir Humphrey Morice, a successful trader in slaves as well as ivory tusks and a Bank governor, may well have been the source of Le Marchand's exotic raw materials.

One of the unexpected pleasures of the show is this pantheon of the great and the good, and the slice of English – and Scottish – cultural and social history that it offers almost in passing. Oddly enough, it is the ivory-carver Le Marchand rather than the sculptors Rysbrack, Scheemakers, Cheere or Roubilliac, who seems to have established the standard three-dimensional images of several of the so-called "British Worthies" all but deified by the mid 18th-century.

Joseph Highmore's portrait of David Le Marchand with the bust of Isaac Newton

■ *David Le Marchand 1674-1726: An Ingenious Man for Carving in Ivory*, continues at the British Museum until September 15 before travelling on to Leeds City Art Gallery, October 2-January 5, 1997.

Promenade concerts

Stravinsky Day

Sunday was "Stravinsky Day" at the proms, to mark the quarter-century of the composer's death: a triple Prom, starting at 4pm with an all-dancing *Soldier's Tale* (1918) and finishing a little before 11 with the 1948 *Mass*. On paper it looked to be an interesting, wayward compendium of Stravinsky's odder pieces; in the Albert Hall, it turned out rather wan.

The hall was tolerably well filled for *The Soldier's Tale*, much thinner for the second concert and under half-full for the third. (Perhaps people had noticed that *each* concert – from 60 to 80 minutes long – required a new programme-book at £1.50.)

Or perhaps a sense of non-event was built into the programme, or detectable in the opening performance. Though it was billed as "semi-staged", the trouble with *Soldier's Tale* was that all of the visual side had been entrusted to a young neo-classical English choreographer, Oliver Hindle. *Everything* was danced, daintily but very well, by a contingent from the Birmingham Royal Ballet (along with elegant but slightly dispirited narration by Simon Russell Beale).

Though with a score by Georges Auric or an Adolphe Adam pot-pourri it could have been charming, it de-gutted Stravinsky's raucously concise music altogether. I have seen good and indifferent *Soldier's Tales*, but none so misjudged – and downright fey! – as this one. The actor-dancers tripped their way through the pugnacious Stravinsky score like genteel English souls negotiating river-rocks Abroad. All the wry, folk-flavoured rawness of the piece was lost. The Birmingham Contemporary Music Group played well enough for young Daniel Harding; in another context, it might have sounded less soft-edged and more aggressive.

The second concert had Oliver Knussen conducting the BBC Symphony in Stravinsky's cod-Tchaikovsky ballet *The Fairy's Kiss* (1928), a piece which is interesting only if you know a good deal of Tchaikovsky and a lot of Stravinsky; and *The Flood*, the "musical play" commissioned by CBS television in 1960. Knussen's excellent account of it can be heard better on his recent DG recording; *The Flood* is not a "big" score, and in the vast space of the Albert Hall it seemed to give a great many performers not very much to do.

James Wood also directed his New London Chamber Choir in Stravinsky's late experiments with Gesualdo: of specialist interest only, I think. For the last concert, the Birmingham players returned with Andrew Parrott and the Taverner Choir to give a refined performance of the 1952 *Cantata* on old English texts – beautifully delivered by Neil Jenkins and Teresa Shaw, but again rather small for the hall – and the 1948 *Mass*, sung without the boys' choir that Stravinsky rightly wanted for the upper voices: a skewed tribute.

The one solid success of the day was Wayne Marshall's jazzy, resilient dash through the 1924 Concerto for piano and winds (who sounded soft-edged again). Less digitally brilliant than Paul Crossley's memorable Prom account a few years back, it had its own exhilarating thrust, and Marshall followed it with a sprightly encore-piece that knotted a whole clutch of Stravinsky tunes together. This was the only point in the entire celebration when we heard Stravinsky's musical athletics at full tilt, and the audience was inordinately grateful.

David Murray

Russian subtleties

Among all the orchestras at this year's Proms there cannot be more than two or three that do not receive a state subsidy in one form or another. Ironically, the shining example is the Russian National Orchestra – a symbol of just how dramatically Russia has lurched from communism to its capitalist extreme.

The orchestra was founded by pianist and conductor Mikhail Pletnev in 1990, taking advantage of the more open political conditions to fund itself through foreign tours. It has been to Britain before, but this was its first visit to the Proms. Faced with a 5000-strong horde of promenaders, a foreign orchestra must be tempted to storm the ramparts with all its guns blazing. But Pletnev had other ideas and his two Proms left no doubt that serious musicians were at work.

He started with three short tone-poems by Anatol Lyadov, excerpts from the orchestra's most recent CD. These attractive pieces inhabit an in-between zone, where Russian fairy-tale reaches out towards French impressionism (the latter quite strong in the Debussy-like *Enchanted Lake*). They made a good choice, as Pletnev and his highly-skilled players excel at drawing out the subtle colours often neglected in Russian music.

For decades the Russian repertory was known from the brash recordings issued by Melodiya, the state-owned record company. To encounter Pletnev here, judiciously blending orchestral timbres and refusing ever to be vulgar, comes as quite a reversal of expectations. He conducted two symphonies – Shostakovich's Tenth on Thursday and Prokofiev's Seventh on Friday – but neither was the bombastic performance we might have had of old. The music was superbly crafted and played, but had a soft edge which felt quite westernised.

Despite aiming a few critical barbs at Schnittke's music in a recent interview, Pletnev chose to bring a major work of his on this tour. The Viola Concerto, written in 1985, ranks as one of Schnittke's most considerable essays in the concerto form. It is pastiche (as Pletnev complained) but of an unusual kind, a sort of medley from Vienna in the early 1900s, rolling together Strauss's waltzes, Mahler's angst and Berg's twelve-tone expressionism. In some performances it could easily sound thin, but every line touched by the soloist, Yury Bashmet, turned into musical gold.

The remaining pieces – Haydn's Symphony No.100 and Mozart's Clarinet Concerto – need not detain us. The sparkle Pletnev has in his fingers when he plays the classical repertoire does not transfer down his baton. The Haydn was brusque and formal, lacking sleight of hand. The Mozart never sang, and the ensemble all over the place so there was plenty of time to concentrate on the deep-toned lyricism of Michael Collins in the solo part. Tonight the orchestra arrives at the Edinburgh festival.

Richard Fairman

How to handle a nervous breakdown

There are well over a hundred Fringe venues in Edinburgh but central to the Fringe Festival is Venue 15, *a.k.a.* the Traverse theatre. The four-year-old building, on the same block as the Usher Hall and the Royal Lyceum Theatre, has become a hub of Edinburgh life anyway; its bar and its café are major meeting-points. And, during this year's Edinburgh Festival, 14 different shows (Scottish, English, Irish, Canadian, American, New Zealander) are presented in its two auditoria; you can stay in the Traverse and watch five shows a day. Ten of these are already in repertory at the festival's start; here I report on two of them.

First, *The Fever* (Traverse 2; in repertory till August 31). It is true but insufficient to say that both Wallace Shawn's play for one person and Clare Coulter's performance are first-rate. Coulter enters: slim, grey-haired, demure, dressed in a broad-skirted black calf-length dress. She might be from Morningside. She takes her seat in the middle of the stage, she bends over, she places on the floor beside her a handkerchief and a glass of water. She crosses one leg simply and elegantly over the other, and during the 90 minutes that follow she never uncrosses it.

From this most simple and elegant premise, there begins an astonishing delivery of an astonishing monologue. One would call it stream-of-consciousness, were it not that it is composed of breaks and contrasts. It is, in fact, a depiction of a nervous breakdown – but the breakdown comes not from upsetting events in the character's own life, which is middle-class and personally uneventful, but from her changing perception of the world about her. Her words are fluent, composed in long sentences marked by intelligence, feeling, irony, wit. The book of her life, she says, would be "terribly boring... Chapter One: My Childhood. I was born, I cried. Chapter Two: The Rest." Later, the audience falls about as she begins one paragraph "About a year ago, I spent a day at a nude beach with a group of people I didn't know that well..." Blithely she tells us of her first visit to a certain revolutionary country; sure, it had soldiers, "but to me they looked like shepherds in a Renaissance painting." Her account of going to a performance of a play that we recognise as *The Cherry Orchard* is, in part, hilarious.

But only in part, for by now we are increasingly aware of her growing dissent from the sheltered environment in which middle-class people can be safely emotional and safely critical about works of art. She has gradually let us understand how clear her view of the lives of the poor in other countries has become, and how complete her sense of the hypocrisy of what is usually called "human decency" in conventionally privileged countries. And she proceeds back and forth between one culture and another so masterfully that the nervous breakdown she describes seems not to be her own but our culture's. She keeps reverting to a revolutionary fighter called Juana, to a chambermaid in the hotel where she is staying, and to the hotel bathroom on whose floor she has collapsed and has been having this physical and mental crisis; but these are, as she knows, simply specific details of a world from which middle-class people in major-economy countries are usually fenced off. There is, she knows, no solution to her crisis, or to the culture's.

I say "she". Actually, Shawn's play can be spoken by someone of either gender. But the command with which Coulter (a Canadian actress) delivers it is awesome, because it is completely natural and so remarkably austere. As I write (after Day One), this *Fever* is the great event of the 1996 Edinburgh Festival so far.

The Spirit (Traverse 2, until August 31) is a collection of ten scenes given by eight Chicagoan actors written by the very fine and still too little acclaimed American playwright Joe Pintauro. They concern bereavement, emotional incapacity, mourning, deathbed scenes. What is striking, however, is not the darkness of the subject matter but the humanity of Pintauro's writing. You can hear how fully he has inherited the best tradition of American playwriting; his post-Ibsen use of symbols and metaphors from the natural world, his lyricism, and his wit make him resemble Tennessee Williams in particular.

Some of these scenes were performed last year in London at the Gate Theatre as the prelude to Tim Luscombe's excellent staging of Pintauro's *The Raft of the Medusa*. They are less baffling when, as here, they form a programme of their own. Most of the Chicagoan actors deliver them with the best, most transparent, kind of authority.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Young Bulgarian Philharmonia: with conductor Victor Mayer and pianist Daniel Wayenberg perform works by Pipkov, Rachmaninov, Grieg and Tchaikovksy; 8.15pm; Aug 15

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Nederlandse wapens uit Rusland: this exhibition features 17th century Dutch firearms from the imperial armoury at the Kremlin in Moscow. The weapons were given to the Russian tsars by the Dutch; to Sep 29

■ BERLIN

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● Michael Schmidt. Fotografien seit 1965: retrospective exhibition featuring photographs by Michael Schmidt (b.1945) from 1965 to the present. The city of Berlin, in which the artist has lived all his life, plays an important role in his work; to Sep 8

THEATRE
Maxim Gorki Theater Tel: 49-30-202210
● Kabale und Liebe: by Friedrich Schiller. Directed by Gerstner. The cast includes F. Kastein and T. Werner; 7.30pm; Aug 17

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Messe Solemnis: by J.S. Bach. Performed by the Tivolis Symfoniorkester with conductor Gary Bertini, soprano Hillevi Martinpelto, mezzo-soprano Monica Groop, tenor Jorma Silvasti, baritone Christian Christiansen and the Tivolis Koncertkor; 7.30pm; Aug 15

EXHIBITION
Statens Museum for Kunst – Royal Museum of Fine Arts Tel: 45-33 91 21 26
● Erik Mortensen. Classic Art: exhibition combining the museum's collection of renaissance, baroque and rococo art with 120 haute couture models by the Danish fashion designer Erik Mortensen; to Sep 1

■ DORTMUND

EXHIBITION
Museum am Ostwall Tel: 49-231-5023247
● Bernhard Hoetger (1874-1949): exhibition featuring works by this German sculptor and architect; to Aug 25

■ HANOVER

EXHIBITION
Sprengel Museum Tel: 49-511-1683875
● BLAST. Vortizismus – Die erste Avantgarde in England 1914-1918: exhibition focusing on Vorticism, a British art movement which developed in reaction to Cubism and primarily Futurism. Leading figures were Percy Wyndham Lewis and Ezra Pound. The group's only exhibition took place in 1915 and included works by such artists as William Roberts, Edward Wadsworth, Christopher Nevinson and Henri Gaudier-Brzeska. Two numbers of their magazine BLAST appeared in 1914, edited by Lewis. The display includes approximately 220 paintings, sculptures, watercolours, drawings, photographs and other objects from European and American collections; from Aug 18 to Nov 3

■ HELSINKI

EXHIBITION
The Museum of Foreign Art, Sinebrychoff Tel: 358-0-17336360
● Homage to Holy Alexander of Svir, the Great Karelian Saint: exhibition of artwork on the subject of Holy Alexander of Svir, dating from the period between 1400 and 1600. The display includes icons, silk, gold, silver and pearl embroided textiles as well as objects made of gold, silver and gemstones. The works come from the collection of the Russian Museum of St Petersburg; from Aug 15 to Nov 25

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Lari Pittman: this mid-career survey of Southern California artist Lari Pittman highlights 35 of Pittman's works, including new paintings created specially for this presentation. Pittman's work explores issues of individual and social identity, often from a gay perspective; to Sep 8

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Beaux Arts Trio: perform works by Mozart, Mendelssohn and Schubert. Part of the Mostly Mozart Festival; 8pm; Aug 15

EXHIBITION
Museum of the City of New York Tel: 1-212-534-1672
● Gaelic Gotham: A History of The Irish in New York: exhibition featuring over 400 original artefacts that are displayed in thematic and chronological sections. Within each section, the exhibition focuses on themes important to the story of Irish New York life, such as politics, work, religion, and cultural pursuits, illuminating change in New York's Irish community over time; to Oct 27

■ PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Les Oiseaux: this exhibition explores the universe of birds as depicted from some of man's earliest art through the most recent experiments in contemporary art; to Sep 15

■ SALZBURG

OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Elektra: by R. Strauss. Conducted by Lorin Maazel and performed by the Wiener Philharmoniker. Soloists include Hildegard Behrens, Karen Huffstodt, Leonie Rysanek, Kenneth Riegel and John Bröcheler. Part of the Salzburger Festspiele; 8.30pm; Aug 15

■ SAN FRANCISCO

EXHIBITION
SFMOMA – Museum of Modern Art Tel: 1-415-357-4000
● The San Francisco School of Abstract Expressionism: this exhibition explores the work of the Abstract Expressionist movement on the West Coast and includes approximately 65 works by artists such as Jay DeFeo, Richard Diebenkorn, Sonia Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still. Known at the time as "free-form painting", these works of the 1940s and 50s were inspired by the natural beauty of the West Coast, as well as by jazz and Beat poetry; to Sep 29

■ TOKYO

EXHIBITION
Tokyo Metropolitan Art Museum Tel: 81-3-38236921
● La Ville Moderne 1870-1996: this exhibition was first held in Paris and Barcelona in 1994 and focuses on the relationship between city and art. In Japan, works that Japanese architects have produced in Europe are added to the display; to Sep 16 15

■ VIENNA

EXHIBITION
Museum für Angewandte Kunst Tel: 43-1-71136
● Normed Fantasy. Drawing Classes for Carpenters Vienna 1800-1840: exhibition presenting an overview of the training of Viennese carpenters between 1800 and 1840, based on the material in the archives of the Viennese carpenters' guild and the Academy of Fine Arts, on architectural and ornamental practice sheets and furniture designs as well as on individual pieces of furniture; to Nov 24

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Tourists and tower blocks

ON THE BEATEN TRACK

Asian tourists revel in the brash Gold Coast, says Nikki Tait

Step off the aircraft at Coolongatta airport, and you know immediately that you are on the Gold Coast. First, there is a clutch of Japanese tourists taking photographs on the tarmac. Second, white stretch limousines outnumber the regular cabs in the taxi rank.

This is Australia's biggest playground, a 30km strip of beaches running north from the Queensland and New South Wales border. The Gold Coast bears little resemblance to the rest of the country, even visually. In the central town of Surfers Paradise, tower blocks jostle for space along the waterfront, each built higher than the last to ensure ocean views.

There is a different ethos, too. In Sydney or Melbourne, a stretch limo would offend Australian egalitarianism. But the Gold Coast revels in hedonistic excess. Nowhere is this better exemplified than at the upmarket Mirage hotel, where water cascades from pool to pool, and the real ocean is relegated to a backdrop. Mr Alan Bond, the bankrupt Australian businessman, spent his second honeymoon here last year.

By Australian standards, the Gold Coast is a big industry. With 56,000 beds, the strip handled about 3.7m visitors last year. Tourism revenues were A$2.3bn (US$1.8bn), providing direct employment for almost 60,000 people. According to latest figures from the Bureau of Tourism Research, it was the most visited holiday destination in Australia after Sydney. Melbourne came third, and Uluru – or Ayers Rock – a distant ninth.

"What the Gold Coast is selling is entertainment," says Mr Bill Sheppard, who runs Conrad Jupiters, the casino and hotel complex. "The core of the people, thank God, want to do something every moment of the day."

So the Gold Coast obliges. Boasting 300 days of sunshine a year, it has five theme parks, lays on every conceivable variety of water sport and hosts special events such as an annual motor race and the national surf life-saving championships. The night air is full of the whoops and shrieks of nocturnal bungee-jumpers.

Perfect playgound: the waterfront at Surfers Paradise

But the Gold Coast has changed, and not everyone thinks for the better. The area first became a pleasure-lover's paradise in the 1930s, and traditionally catered for Brisbanites and Sydney-siders determined to make the most of their annual holidays. Until the 1980s, accommodation was mainly self-catering units and caravan parks.

The watershed was 1985, when the casino opened and the Gold Coast got its first five-star hotels. "That created a style of accommodation which was appropriate for an international market," says Mr Bob Brett, head of the Gold Coast Tourism Bureau. "It was the catalyst for a fundamental change."

The results of expansion and heavy Japanese investment were dramatic. Last year, more than 27 per cent of Gold Coast visitors – almost 1m people – came from overseas, compared with only 5 per cent a decade ago. Of these, about 40 per cent were Japanese. The remainder were mainly from other parts of Asia, notably Taiwan and Korea. By contrast, most Americans and Europeans visiting Australia give the area a miss.

In marketing terms, this "Asianisation" of Gold Coast tourism has been skilfully handled. Businesses pay much more attention to the special needs of their new customers than other Australian centres. The Sea World theme park, for example, offers explanatory leaflets in four languages: Japanese, Korean, Chinese, and English. At the ANA hotel – a former Holiday Inn which was bought by Matsushita in 1988 – all rooms have Japanese pay-TV, and it can be a struggle to find English instructions.

But the rapid growth of international tourism, combined with strong domestic migration to the Gold Coast, has prompted competition for building land and raised environmental concerns. A dispute over a proposed toll road between the Gold Coast and Brisbane has been a contentious issue in Queensland politics.

The scale of Gold Coast development has also provoked a response from within Australia's tourism industry. As in many other countries, ecotourism – with its commitment to low-key, environmentally-sensitive development – has become increasingly fashionable. Ecotourism advocates often point out that the shade cast over the otherwise sunny beaches by Gold Coast tower blocks is one of the drawbacks of excessive development.

Nowhere has the message been more earnestly absorbed than on the Gold Coast's doorstep. To the north of Brisbane lies another set of beaches known as the Sunshine Coast. At Noosa Heads, one of the main towns, building development has been firmly capped at three storeys – or, as Ms Lizzie Brown, at the Noosa Enterprise Group puts it, "no taller than a palm tree". She says: "It was a definite reaction to the Gold Coast."

Even the Gold Coast tourist salesmen seem to sense which way the wind is blowing. They now trumpet the delights of Lamington National Park, a large tract of subtropical rainforest which lies a few hours' drive away on the New South Wales border. The Coast, they stress, needs to become a "quality destination" rather than "the white Hong Kong". Gold Coast's city council, meanwhile, has pledged to spend A$30m on sprucing up Surfers' central thoroughfares.

Gold Coast businesses, however, remain unapologetic about the kind of holidays they are selling. "This is a dynamic destination, which has gone through change. It's going through change now," says Bill Sheppard. "But if you want to sit and watch sand, that's eco-tourism."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com . Translation may be available for letters written in the main international languages.

Baltic Exchange skyscraper scheme disliked

From Mr C. Douglas Woodward.

Sir, Previous planning disasters inflicted on the City of London over recent decades would pale into insignificance if the proposal for the monolithic tower at St Mary Axe were to be approved ("Skyscraper is planned for Baltic Exchange site", July 24).

The City Heritage Society normally waits for a planning application to be lodged before making any comment, but we are so concerned at the tone of advance publicity for this project, giving the strong impression that approval has already been given, that we feel impelled to sound this early note of opposition.

We have been surprised to read that the City Corporation is said to be "impressed" and "excited", comments which would seem highly premature and undesirable in advance of consideration of the scheme by the members of the City's Planning Committee.

Equally disturbing is a report that the Hong Kong and Shanghai Bank is "considering a move" to this building for which a planning application has not yet even been submitted.

It all smacks of unhealthy and undesirable behind-the-scenes activity.

The proposal appears to involve the creation of an office tower of 90 storeys, 1,000 ft in height on the site of the bomb-damaged Baltic Exchange. It would dwarf the National Westminster tower nearby.

There are many reasons why this scheme should be treated with scepticism and dislike. Here are just three:

- First, it is totally counter to the environmental ethos of the City of London which still today is a place of narrow streets and lanes and buildings of modest scale which take St Paul's as a basic reference point.
- Second, a building of this bulk would represent gross over-development of the site. Bordered by typically narrow streets, the concentration of new traffic of all kinds would be formidable.
- Third, a planning consent would betray the firm undertaking given earlier that the listed Baltic Exchange would be reinstated as part of any future development. The City Heritage Society is totally unconvinced that the very substantial remains of the Baltic are beyond saving.

C. Douglas Woodward,
chairman,
City Heritage Society,
404 Gilbert House,
Barbican,
London EC2Y 8BD, UK

Stolen resources should service debts

From Mr Karl A. Ziegler.

Sir, There might be a reconciliation possible between Christian Aid's Andrew Simms' "idealistic" proposal (Letters August 3/4), that "poetic justice" would be served by using the recently discovered gold reserves stolen by Nazis from Jews, for debt relief of impoverished nations and Paul Shranks' more pragmatic and – in our view – more realistic proposal (Letters August 7) that such funds be returned to their rightful owners or their heirs.

More appropriately, the offshore resources of those corrupt developing country leaders, stolen from their nations and now secreted away in Swiss, Austrian or less "conspicuous" offshore havens or investments, ought to be tracked down, exposed and seized through the appropriate national and multinational judicial initiatives, to help to relieve the unserviceable debt burdens of many impoverished nations.

Should well-meaning and well-funded charities such as Christian Aid, Oxfam, Cofad and others – which raise this essential political topic to the forefront of their charitable agendas – truly want to get involved in real-world solutions with respect to the funding of debt relief, a new approach could be more productive.

They could seek to obtain the necessary authority from the Charity Commissioners to hire professionals, bankers, accountants or lawyers to help find the loot secreted offshore by greedy leaders of poor nations and seek to have these stolen resources applied against debt relief. Indeed, some of the best of these "hunters" might be prepared to work on a "success-fee" basis.

Karl A. Ziegler,
The Centre for Accountability and Debt Relief,
6 Bradbrook House,
Studio Place,
Kinnerton Street,
London SW1X 8EL, UK

Realities of life and death in Dunblane

From Mrs Jane Scollen.

Sir, Richard Donkin's article on gun ownership ("Guns: to ban or not to ban", August 3/4) quotes, without adverse comment, the views of a derivatives lawyer who believes that shooting enables him to come into close contact with nature as it really is, including the cycle of life and death. On March 13 the natural cycle of life and death was unnaturally broken here in Dunblane by a man with a legally held handgun. We will have to live with the consequences for the rest of our lives.

Anyone who wants closer contact with the realities of life and death should pay a visit to Dunblane cemetery where my daughter's best friend is buried alongside her classmates and teacher.

Jane Scollen,
Roseville,
Kilbryde Crescent,
Dunblane,
FK15 9BA, UK

Common practice

From Mr Kevin d'Arcy.

Sir, What an elegant happenstance! On the same day you report the need for the OECD to make radical changes in its own management ("Pressure grows for OECD reform and budget cuts", August 7) you also report, in Observer ("No, minister"), the publication by the OECD of a handbook of advice to government press officers in central and eastern Europe – of which, it seems, the OECD's press office had no knowledge.

Writing as someone who has some experience in creating real communication training programmes of this kind in both Phare and Tacis areas, I can affirm that not telling the press office what is going on is common to governments all over Europe, to the considerable frustration of all good journalists and as an obvious bar to good government.

Kevin d'Arcy,
editor,
Spokesman,
20 Cardigan Road,
London E3 5HU, UK

Gerard Baker on Japan's dismal banks

The flip side of success

Next month Sony, probably the world's most successful consumer electronics company, will launch its latest home video product. A five-inch camcorder, the size of a passport, it uses the latest digital technology and promises to usher in a new phase of domestic entertainment.

As with most of the company's consumer products it is likely to be a critical and popular success, further enhancing the worldwide reputation of Japanese manufacturers as purveyors of goods of unrivalled reliability, style and performance.

At about the same time, several of the country's leading banks will be launching something rather different. They will be trying to raise vast sums of money from international financial markets to bolster their sagging capital. Their efforts will be somewhat less favourably received than those of their compatriots at Sony. The exercise will do nothing to alter Japanese banks' worldwide reputation for incompetence and financial weakness. In fact it will simply underline their problems.

This curious duality at the heart of the Japanese corporate system must surely rank as one of the world's great unsolved modern economic mysteries. How is it that while Japanese manufacturers rest comfortably at the apex of international commercial success, the country's banks languish in international disrepute?

How can the same country, employing within the same broad economic system the same highly educated, highly motivated employees that produce Toyotas and Kyoceras also produce Daiwa Banks and a pile of bad loans equivalent to more than one-tenth of national gross domestic product.

The question is especially worth asking because 10 years ago Japanese banks enjoyed a very different image: the common view in international financial markets was that Japanese financial institutions were about to do the same to the world's banks and brokers as Japan's manufacturers had done to *their* foreign competitors.

A decade or so of financial failure later, the world knows better. Japanese banks have for years been struggling with the massive burden of bad loans advanced in a period of frenzied speculative excess in the 1980s. Latest estimates suggest the losses could be a great as $500bn. Last year the unthinkable became reality as several banks began to buckle under the burden.

To the insult of collapse was added the injury of fraud and incompetence at a number of institutions and then at some of the big names – Daiwa Bank with bond trading losses of $1.1bn, and Sumitomo Corporation with at least $2bn in losses on copper trading.

While the recession of the early 1990s has also been difficult for manufacturers, it has not seriously damaged their standing, and none but a small handful of doomsayers really believes that the industrial giants will not continue to dominate their sectors for years to come.

The banks, by contrast, are firmly entrenched in world opinion as the Ford Edsels of international financial markets. What explains this dichotomy?

The first set of plausible explanations could be put under the broad heading "cultural". Some observers have argued that the Japanese, while first rate widget makers, lack the sophistication, innovativeness and general all-round genius that is essential to success in international finance.

Unsurprisingly, the chief propagators of this view are successful western financiers.

The strengths of Japanese management systems, which have led directly to manufacturing success, are the very same causes of failure in financial markets, the cultural argument goes. Such tendencies include taking the long view in investment decisions and making efforts to build consensus within a company.

> The question is why a country that produces the Toyotas and Kyoceras is also home to the Daiwa Banks and a very large pile of bad loans

Management policies, such as the quick rotation of managers every two or three years might give the bosses of electronics manufacturers a rounded view of their business, but is far from ideal for people dealing in increasingly complex financial instruments.

The emphasis on long-term consensus-building may be well suited to reaching the right decision on what car to build in the next five years, but will not work in financial markets where trading decisions have to be made in seconds.

Though there may be something in this, it smacks just a little too much of western self-congratulation. Neither is it a very good account of the problems Japanese banks have actually had in the past 10 years. Most of the difficulties – poor quality of lending, for example – were not obviously the result of long-termism or consensus-building. Often they were the opposite: short-term gains spotted by individuals that subsequently turned sour.

A better theory is one that attributes the blame to the regulatory framework. Japanese banks have operated under the close control of government officials throughout the post-war period. That has not only stifled creativity and flexibility, it has also nurtured complacency. It has created a sense that in the greater interests of stability, all banks would ultimately be protected by the authorities.

On this view banks were hopelessly ill-prepared for the deregulation that began in the 1970s. Inexperienced bankers then made disastrous errors in the new markets which resulted in the losses of the last few years.

This theory has some validity. Few would deny that the tightly controlled nature of Japanese financial markets has left them weaker in various respects than their less-regulated rivals overseas.

But it fails to explain why manufacturers and financial institutions reacted so differently to the effects of regulation. The markets for real goods in Japan – at least until the 1970s – were every bit as tightly regulated (and some still are) as the financial markets. Yet that control did not stop the Toyotas and the Matsushitas from thriving as their markets were opened. Why was it so uniquely disadvantageous for the financial sector?

The answer lies not in the specifics of official regulation but in the broader principles that underpin the post-war Japanese economic system itself. This system gave primacy in the allocation of resources to the manufacturing sector.

The banks, instead of standing alone as profit-motivated institutions, were to be the mere instruments of that resource allocation. They provided scarce capital funds to industry in the crucial years after the second world war, at cheap rates, and with little regard for their own financial performance. The shareholders did not mind, because, thanks to the structure of share ownership in Japan, the shareholders were the big manufacturers which were themselves already benefiting from the cheap lending.

This structure began to break down in the 1980s as manufacturers reached maturity and relied less on the banks for their funding. The banks were forced to find business elsewhere. That led them to make the disastrous decisions that have now left their international reputation in tatters.

The banks' failure is perhaps best seen as the counterpart to manufacturing success. The mistake, both among the banks and outside observers, was to see them as competing on level terms with international banks in the US and Europe.

You probably would not get the men who run Sony to admit it, but perhaps as they bask in the acclaim of international opinion, they might want to attribute just a little of their success to their colleagues in the internationally derided financial sector.

FINANCIAL TIMES

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Tuesday August 13 1996

Humiliation in Chechnya

Russia has got itself into an appalling mess in the mountainous border republic of Chechnya. The latest rout of its security forces by a few hundred determined rebels, who seized control of the ruined heart of Grozny, the Chechen capital, last week, serves only to demonstrate once again that this is an unwinnable war for both sides.

A handful of rebels cannot hope to defeat the full force of Russian artillery and air power. But nor can Russia's demoralised, ill-equipped and disorganised troops hold territory that they have bombed into submission. The result is a bloody stalemate which leaves Chechnya devastated, and simultaneously undermines the whole political and economic reform process in Russia.

Finding an acceptable solution is now the biggest political challenge to face Mr Alexander Lebed, the country's new national security adviser, the blunt-speaking former hero of Afghanistan whose self-professed task is to bring order back to his chaotic country. He knows very well that it could be a poisoned chalice, but he has set about the task with characteristic directness.

The problem for Mr Lebed is that he is fighting on two, if not three, different fronts. There are undoubtedly those on his own Russian side who would like the war to go on. Indeed, there is more than a suspicion that the latest debacle in Grozny was permitted by the local military commanders, who withdrew their forces from the city only days beforehand. Some see the war as essential to redeem Russian military pride – although so far it has done the opposite. For others, it is no more than a chance to make money, for example from the supply effort.

Pragmatic peace

At the same time, Mr Lebed's closest natural ally in seeking a pragmatic peace is Mr Victor Chernomyrdin, the Russian prime minister, who is also his greatest rival for the ear of an ailing president. Both are on record in seeking an honourable Russian withdrawal from the battlefield. Yet neither has made any secret of his suspicion of the other.

If there is to be any peaceful solution in Chechnya, then clearly Messrs Lebed and Chernomyrdin must bury their differences. They have an excellent opportunity to do so, because all those tainted with the original decision to intervene militarily to prevent a Chechen secession have now been removed from the government – with the exception of Mr Yeltsin himself, who somehow manages to preserve an imperial aloofness.

Real importance

Mr Chernomyrdin has already demonstrated that he sees the need for pragmatism. Setting aside any question of military or national pride, the real importance of the rebellious republic for Moscow is that it sits astride the oil pipeline best able to carry oil to and through Russia from the future fields of the Caspian.

The Russian premier knows that any deal must allow the future Chechnya a solid slice of revenues from the transit traffic: that is how peace can be bought. In exchange, Russia can reasonably demand guarantees of the free and unhindered flow of oil. That is also a solution that any foreign investor in the future oil fields will be looking for.

Mr Lebed may well be the man who can persuade his military comrades that getting from here to there will not be a sell-out. He also has to convince the Chechens. One option might be the Tatarstan solution: that republic, also Turkic and Moslem, opted for one day of outright independence, in which it voted for substantial powers of self-government, while allowing Moscow to retain control of defence and foreign affairs.

Mr Mintimer Shaimiyev, the Tatar leader, has consistently offered his good offices to negotiate a solution in Chechnya. Now is the time for Moscow to accept, and save itself from further pointless humiliation.

Competition on the railways

By the end of the summer, the Office of Fair Trading will need to decide whether to recommend that the Monopolies and Mergers Commission should investigate the audacious takeover of Porterbrook Leasing, the rolling stock company, by Stagecoach, the bus and rail operator.

The OFT should press for a referral. Stagecoach's acquisition raises issues which go to the heart of rail privatisation; and a clear policy is now needed to preserve as much competition as possible.

It would be a particularly sensitive investigation. The dust has barely settled from the political battles which accompanied the break-up of British Rail. The government split BR into more than 50 separate units in the belief that a single organisation would be too big to attract bids from the private sector and would be incompatible with its desire to introduce competition into the network. Ministers will therefore be unhappy about acquisitions which seem to be recreating a monopoly in private hands.

The government and its advisers put much effort into devising the current tripartite rail industry composed of 25 franchised passenger rail service operators (including Stagecoach's South West Trains), three rolling stock leasing companies (among them Porterbrook), and Railtrack, which owns the track. However, the government always intended the system should be shaped by market forces – albeit under the eye of the rail regulator.

Regulator's role

The regulator has made a good start at supervising the industry, trying to cope with the competing requirements of protecting rail users' interests, encouraging rail network development, promoting competition and avoiding upsets in the privatisation programme. He is now consulting the industry about whether to ask the OFT to recommend a referral of the Stagecoach deal to the MMC.

There are special reasons why it should be investigated. Stagecoach is a company which needs firm handling. Its aggressive expansion in the bus market has attracted the attention of the OFT a record 24 times. The MMC has condemned its anti-competitive behaviour as "deplorable" and "predatory".

In the Porterbrook deal, the company is offering the rail franchising director – who awards franchises – undertakings to keep its transactions with Porterbrook at arm's length and not seek to benefit unfairly from the link.

Greater experience

It would be better if the OFT, the Department of Trade and Industry and the MMC, with their greater experience of competition issues and knowledge of Stagecoach, had the opportunity to review such undertakings. Moreover, the company's pledges would have greater weight if given to the DTI.

This would not be the only MMC review of the rail industry. The commission has already been asked to investigate the acquisition of the Midland Main Line franchise by National Express Group, the coach operator – although admittedly the competition issues raised in the case of a company dominating bus and rail in a locality are different, and greater, than in that of Stagecoach and Porterbrook.

To call for referral is not to say that the Porterbrook deal should be blocked. The industry's somewhat artificial tripartite structure is not the only way to run a railway. Franchise holders mostly operate geographically separate routes and do not compete directly. If the undertakings offered by Stagecoach can be made to stick, rival operators may not have much to fear. With much more invested in Porterbrook than in franchises, it would be in Stagecoach's interest to run the leasing company fairly or risk losing customers.

The industry needs dynamic companies, such as Stagecoach, if it is to secure the investment it so badly requires; but the company should be told firmly that it must play by the rules.

… more discontent than support in UK boardrooms


Sir Stanley Kalms
chairman of Dixons Group


Michael Meyer
chairman of Emess


Christopher Haskins
chairman of Northern Foods


Sir Colin Marshall
chairman of BA

Reluctant to bear the burden

In the UK even pro-European business executives are sceptical about the direction of EU social policy, says **Stefan Wagstyl**

Mr Robert Staples, chairman of Staples, a family-owned company in Huddersfield, is a Yorkshireman clear about his likes and dislikes. And European Union social legislation is near the top of his list of dislikes.

"I'm anti the social chapter. Anti all the way through. So are the great majority of the people I talk to," says Mr Staples, whose company employs about 100 staff making clothing materials.

Sir Stanley Kalms, chairman of Dixons, the electrical retailer with 10,000 employees, is equally blunt. "People claim it's about creating a level playing field for social rules. But it's not a playing field. It's a lethal minefield."

Mr Staples and Sir Stanley do not speak for the whole of British industry. However, they reflect the views of the majority and of organisations such as the Confederation of British Industry. Opinion polls show that about two-thirds of business people are opposed to the social chapter and support the UK's opt-out. A survey last month for the Institute of Directors found that just 29 per cent of those polled wanted an end to the opt-out.

Moreover, the only reason most of this minority wants the UK in the social chapter is the damage done by the opt-out to Britain's wider interests in Europe. Few support the social chapter for its own sake. Among top business people Mr Chris Haskins, the chairman of Northern Foods, the food manufacturer, is almost alone in consistently promoting the social chapter. Mr Haskins, a declared Labour supporter, is not shy to criticise the government's position and side with Labour, which would end the opt-out.

But for most business people fears of European social legislation run deep. Almost all are convinced of Britain's need to remain in the EU. But their main interest is in the EU as a single market. They believe the EU should concentrate on increasing the market's effectiveness. They do not believe it should be legislating on employment-related social issues. As Mr Peter Reid, European affairs co-ordinator at the Engineering Employers Federation, says: "There is no need for a single labour market as a corollary of the single market."

The debate over the social chapter is often confused. The words apply to the social protocol of the Maastricht treaty which empowers the EU to pass employment-related legislation; it is from this protocol that the UK opted out. So far, the EU has passed two social chapter directives – one obliging larger companies with international operations to establish European-wide works councils for employee consultation and another requiring employers to grant parents (unpaid) leave following the birth of a child.

However, the words "social chapter" are often (wrongly) taken to mean other employment-linked EU rules, which are not included in the social chapter and from which the UK has no opt-out. These include the controversial working hours directive, which seeks to set a 48-hour limit on the working week. The UK is challenging the ruling in the European Court of Justice.

Extending the definition still further, many British opponents of the "social chapter" include in their criticism the whole raft of social legislation which pushes up labour costs on the continent, notably in Germany. These critics concede this social legislation is based on national not EU law, but they argue that sooner or later Germany and countries with high social costs will want to impose similar burdens on others, including the UK. Sir Colin Marshall, the CBI chairman, says: "It's not what is happening now (with the social chapter) that concerns us. It's what may happen in the future. Essentially, it's a fear of the unknown."

The root of this fear lies in British business's conviction that social chapter rules will increase employment costs and damage the UK's hard-won competitiveness. "We must compete with the whole world, not just with the rest of Europe," says Mr Geoff Armstrong, director-general of the Institute of Personnel & Development and a former director of Standard Chartered Bank, Metal Box and British Leyland. "The competitive pressures are such that we should not be burdening business with more regulation."

Mr Staples agrees. "The social chapter is no more than a charter to increase employers' overheads, very often to the detriment of employees' livelihoods." He claims that whereas social costs add £18 to every £100 of the wage bill in the UK, the figure for Germany and Spain is more than £30 and for France and Italy over £40.

The fears of extra employment regulation are particularly strong in the hotel trade, which is concerned at EU plans to tighten rules on benefits for part-time workers, due for discussion in the autumn. Mr Jeremy Logie, chief executive of the British Hospitality Association, which has 20,000 members, says: "If the costs of part-time workers go up then we must make cuts and create unemployment."

As well as being concerned about costs, British industry is worried about the underlying philosophy of EU social legislation. Mr Reid at the EEF says there is a cultural gulf between continental countries with laws based on the Napoleonic Code, which are used to obeying top-down directives, and Britain, which has a flexible tradition of common law. "We object to the social chapter not on cost (because the directives passed so far create little extra cost) but on principle. We are afraid of interference in the name of politics."

Others believe this cultural gap is not so great. British multinationals, including BP, the oil group, Glaxo Wellcome, the drugs company, and ICI, the chemicals manufacturer, have decades of experience of operating in different countries. They are among 20 British companies which have voluntarily included British workers in European-wide works councils, even though they could have excluded them, citing the opt-out. Another 25 groups are negotiating similar agreements. The approach is circumspect, as befits companies which have to work with 15 member states, not just the UK. As Glaxo says: "We look at these matters situation by situation. We act when the requirements of European and national legislation are known."

Mr Niall FitzGerald, chairman-designate of Unilever, the Anglo-Dutch conglomerate, sums up the views of many big groups. A committed pro-European, he believes that the UK must stay at the heart of the EU. He also thinks the EU should have a social policy. But he argues that the current direction of that policy is quite wrong. Instead of focusing on employment and benefit protection, he says it should concentrate on labour mobility and enhancing sustainable job creation. He said in a speech to a business seminar last month: "There is a need for a new social agenda to promote transferable skills, to encourage labour mobility ... and, above all, to promote skills enhancement and a culture of continuous learning."

Some business people, who share Mr FitzGerald's doubts about the direction of EU social legislation, believe the UK should nevertheless sign up to the existing social chapter. They argue that by ending the opt-out, the UK will be better placed to redirect social policy towards boosting competitiveness. Miss Mindy Wilson, European affairs manager at the Building Employers' Confederation, says: "The opt-out is bad. It leaves us with one hand behind our backs when it comes to negotiations."

Mr Michael Meyer, managing director of Emess, the lighting and alarm maker which has staff in France and Germany as well as the UK, is as critical as anyone of over-rigid labour laws. But he says: "The opt-out was a clear error of judgment. In two or three years we will be clamouring to get back in."

Ms Samantha Baer, policy adviser of the Institute of Management, which represents 70,000 middle managers, says: "Staying out is damaging British interests." She claims British companies are already reporting difficulties in negotiating long-term ventures on the continent.

Also, potential foreign investors in the UK might be put off if social chapter disputes increase the division between the UK and the rest of the EU. Mr John Bridge, chief executive of the Northern Development Company, the north's investment promotion agency, says: "Whether Britain is in the EU or not is a critical issue."

These worries are shared privately by some executives at leading multinationals, particularly those active in the EU. But they tend to express their concerns about the anti-EU drift in British policy in attacks on Tory Eurosceptics – not on government decisions such as the opt-out. As one CBI official says: "With the election coming, no-one wants to put their head above the parapet."

But the sense that some multinational boardrooms may be uncomfortable with the opt-out is outweighed by the increasingly outspoken support for the government's approach from many others in British business. As the CBI's Sir Colin Marshall says: "While some big companies with direct contact with the EU have flexible positions, among small and medium-sized companies attitudes are hardening."

This is the second in a series on the social chapter and the UK

· OBSERVER ·

Homing in on the range

■ What is it about Wyoming? With fewer than half a million residents, it's the least populated US state. And although the retail giant J.C. Penney started there, Wyoming was never mistaken for a financial centre.

Now, however, it's apparently living up to its nickname as the "Cowboy State" – though minus the rodeos. Wyoming appears to have become a favourite homestead for promoters of UK pyramid schemes. You are as likely these days to find an English court wrestling with Wyoming law as with a Liechtenstein trust.

Last week, a High Court judge in London was scathing about the lack of protection for members in Titan International LLC, a Wyoming "limited liability company", to which he appointed a provisional liquidator. Even Titan's counsel mused that the state's laws were "not so sophisticated".

Another Wyoming LLC, Wall Street, showed up in April as an intermediary in transactions between Ostrich Farming Corporation, also shut down on public interest grounds by the UK's Department of Trade and Industry, and a Belgian breeder.

Wyoming's attraction appears to be the permissiveness of its laws governing LLCs, a company structure that combines the benefits of a partnership and a corporation.

But the most curious thing about Titan LLC is the affinity that its "sole manager", Alan Humphrey, shows for Britain. The Cheyenne businessman is also president of Texas American Group, which is still smarting from its unsuccessful attempt to take over Facia Group, a recently collapsed UK retailer. It really is a small world, out there on the range.

Medallion men

■ The recent bout of optimism at Eurostat, the European Union's statistical service – which headlined its latest unemployment figures "148m in the EU have a job" – is holding firm.

Hot research from the Luxembourg-based boffins purports to show that the EU beat the world – well, almost – at the Atlanta Olympics. Individual EU states like the UK may lament their pitiable performance, but the Union's total medal haul of 229 represented 6.16 medals per 10m population, says Eurostat. That beat Russia's 4.27, the US on 3.84, Japan with 1.12, and China's measly 0.41 – though it trailed Canada's 7.43, and was far short of Australia's 22.78. In gold medals, the EU won 2.02 per 10m people, ahead of everyone except Australia.

On gold medal ratios, best performers by far were Ireland (8.37) and Denmark (7.65). Worst by far, on 0.17, was ... the UK.

It all reminds Observer of the old saw about how a statistician uses numbers like a drunk uses a lamppost – for support rather than illumination.

Human mystery

■ Cuba's veteran president Fidel Castro, 70 today, says he doesn't like personality cults. While towns, squares and streets across the island bear the names of martyrs of the Cuban Revolution, Fidel – as he is popularly known – has ordered that nothing should be named after him while he's still alive – an instruction that has been scrupulously followed.

That hasn't prevented some Cuban state newspapers marking the occasion by building some verbal monuments. The communist youth weekly Juventud Rebelde has published an eight-page supplement of homage, including the following: "Being close to Fidel, even if it happens just once in your life, certainly gives you a special strength to overcome everything ... His words contain many keys to decipher human mysteries of the past, future and present."

Mind you, the man himself doesn't help dispel the confusion. Asked in a recent CBS TV documentary how he would like to be remembered, Castro replied: "As a socialist ... who wanted a fair society such as many other men have dreamed of in the past, including Jesus".

Some way to go, in that case.

Russian raspberry

■ You would hardly count on Alexander Lebed, the former military tough nut who now heads Russia's security council, to be a great supporter of open government and the liberal media.

But he won over many a Russian journalist's heart yesterday when he lambasted the press secretaries of the interior and defence ministries, and the Federal Security Service, for refusing to answer their telephones and failing to keep the public informed about developments in Chechnya. "All three press secretaries should be discharged with no severance pay," the former general growled, ominously. "Let them go fishing and grow raspberries at their dachas."

Now for the press secretaries at the ministries of agriculture, finance, nationalities, labour, transport ...

The Financial Times

100 years ago

Manchester Ship Canal
Those who despair of the Manchester Ship Canal ever being more than an expensive engineering freak may take a crumb of comfort from the United States Consular reports for July. The Consul at Manchester is of the opinion that the direct trade of the States with the great cotton city will materially increase before long. The consul further remarks, somewhat drily perhaps, that as Manchester has to pay for the Canal the great merchants and warehousemen will all become advocates for increased traffic. But, unfortunately, between advocacy and possession there is a great gulf fixed, as the Canal has hitherto found.

50 years ago

Indian Business Men in UK
Seeking British goods for India, a group of Indian business men and manufacturers reached Liverpool yesterday in the Franconia. It is reported that they may spend here £500,000. The manager of four big factories in India and Malaya wants to buy a mill here so that he can speed up deliveries to his factories. Others of the group are in search of textiles, industrial and agricultural machinery, wines, spirits and brassware.

FINANCIAL TIMES
Tuesday August 13 1996

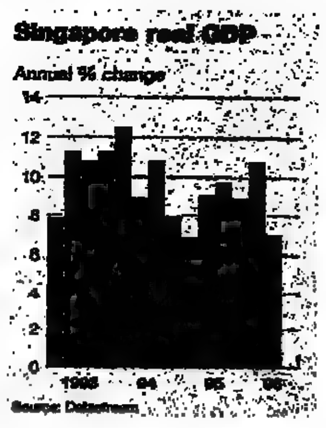
Demand for electronic goods in decline

Economic slowdown hits Singapore growth

By James Kynge in Kuala Lumpur

Singapore real GDP

Annual % change



Source: Datastream

Singapore yesterday announced a significant slowdown in economic growth as falling international demand for electronic goods provided further evidence of the decline in the region's export-led growth.

The government said the annual rate of growth of gross domestic product had fallen to 7 per cent in the second quarter, compared with a revised 10.9 per cent in the first quarter.

Mr Goh Chok Tong, the prime minister, had warned of the slowdown last week when he cut the government forecast for 1996 GDP growth to 7-8 per cent, down from 7.5-8.5 per cent. Last year growth was 8.8 per cent.

The Singapore economy is growing at its slowest rate since 1992, when it expanded by 6 per cent. Most analysts said the continued gloomy outlook for electronics demand worldwide may mean Singapore just manages to make its 7-8 per cent target.

Yesterday, the Singapore dollar remained stable, partly for technical trading reasons and partly because dealers had expected the announcement of slower growth. A spokesman for the Monetary Authority of Singapore played down concerns, saying that by most countries' standards – though not Asia's – a growth rate of 7 per cent was good.

In the second quarter, growth in manufacturing, Singapore's traditional economic dynamo, fell to 6.3 per cent (13.9 per cent in the first quarter of this year). Electronic goods account for 60 per cent of Singapore's non-oil exports and almost half its industrial output.

Economists said there was confidence that Singapore's economy would rebound with an upturn in electronics demand. They cited a government prediction that foreign manufacturing investment would be a record S$7.5bn (US$5.3bn) this year.

The slowdown could have a positive influence in cooling wage and other cost increases which have eroded Singapore's competitiveness in some manufacturing businesses.

Philippines bucks the trend, Page 3

Daiwa asks for Japanese tax rebate after US fine

By Gerard Baker in Tokyo

Daiwa Bank, expelled from the US and fined $340m earlier this year by US courts, has applied to the Japanese tax authorities to have the fine allowed as a tax-deductible expense.

Bank officials said the application had been submitted to deduct the fine – imposed after the company pleaded guilty in the US in February to charges of fraud – from tax as an allowable loss, in addition to other losses of Y113bn ($1bn) the company reported for the financial year ended in March.

If the request is accepted, it will reduce the total cost of the fine by almost 40 per cent.

Japanese tax officials yesterday acknowledged the case was a difficult one but said the request might be granted because of a loophole in the country's taxation law. Since there had never been a case of this kind, officials argued, there was no precedent for refusing such a claim.

According to the National Tax Authority, a penalty paid by a Japanese company in Japan cannot be calculated as a loss under corporate tax law. The principal financial beneficiary of both fines and taxes is the government.

Any tax reduction allowed for the fine would diminish the funds received by the government, and would therefore be "contradictory" to the aim of the punishment, the authority said. But the relevant law says nothing about fines imposed on Japanese companies by foreign authorities.

"Since the government which is fining the company and the government imposing the tax are different, there cannot be said to be any similar contradiction," an official of the authority said. He added that when the rules were laid down in 1951, nobody had envisaged Japanese companies would become as internationalised as they were today.

The Osaka Tax Office, the local authority dealing with Daiwa's tax return, said it could not comment on specific cases. But an official said: "Some critics have opposed allowing a penalty to be treated as part of a loss calculation. We will be examining the arguments closely."

The fine was imposed by the US authorities after Daiwa acknowledged it had been guilty of covering up $1.1bn in losses accumulated by one of its New York bond traders in an 11-year period to last summer. Earlier the bank had been expelled by US regulators, and ordered to scale down its operations by the Japanese finance ministry.

If approved, the tax deduction could inflame public opinion, which is already deeply hostile to Japanese banks.

Earlier this year public opposition to a government proposal to spend Y685bn to help banks liquidate the country's failed housing loan companies forced the government to scale back the plan.

Flip side of success, Page 10

French post office rejects call by banks to split in two

By Andrew Jack in Paris

The French post office yesterday rejected calls for its division into two business units following criticism from the country's banks that its financial services operations are unfairly supported by postal profits.

The post office spoke out after a report in the French newspaper Les Echos that the state competition council had called for clearer indications in the organisation's accounts of the costs and profits generated by its different activities.

The report follows criticism by the French banking sector of the way the post office sells financial services, including insurance and investments.

The banks argue that these are lossmaking, but that the costs are concealed in the reports and that the losses are carried by profits on postal services.

The post office launched an ambitious restructuring programme this year, including training for an additional 400 financial advisers based at its 14,000 branches around the country, and a range of new services to compete with its banking and insurance rivals.

The banks also complain that the post office receives favourable treatment from the state in the form of lower taxes, and has far greater flexibility in its retail network than the banking industry. For example, the post office can open six days a week while legislation dating from 1937 limits the banks to five days' consecutive opening.

The banks recently attacked an initiative by the post office to sell stamps through its cash dispensers, claiming that it distorted competition because only those who held post office bank accounts could use the service. They have also taken court action to curtail an aggressive new advertising campaign encouraging people to seek home loans and to open bank accounts with the post office.

The post office yesterday said it had not yet received a copy of the report from the competition authorities, but that there was no need to create separate subsidiaries. It said it was already improving the quality and detail of its accounts. But it said it shared the authorities' conclusion that there was no "decisive competitive advantage" over the country's banks as a result of its financial services.

The French competition council has no statutory authority, but its report will add weight to growing calls for a reform of the country's banking sector, suffering under high costs and low profitability.

THE LEX COLUMN

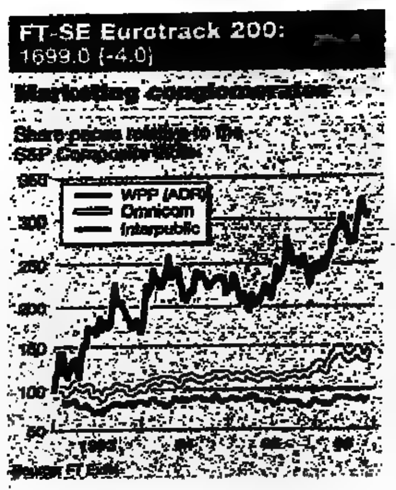
Fiscally unKempt

Getting hitched to Mr Jack Kemp may have perked up Mr Bob Dole's standing in the polls, but it is a union which leaves financial markets with mixed feelings. Wall Street has always tended to favour Republican candidates and, to the extent that Mr Kemp improves the chances of there being a President Dole, he will be considered a "good thing".

But bond markets are nervous about Mr Kemp's strong advocacy of tax cuts, especially given his association with the Reagan presidency, when unfunded tax cuts led to a ballooning in the budget deficit. Last week it was possible to dismiss Mr Dole's conversion from deficit hawk to supply-sider as an act of political expediency which would not be followed through in practice. But with the ideological Mr Kemp on the ticket, a Dole presidency is no longer the guarantor of fiscal conservatism it once seemed.

For now, though, that is not a prospect markets are taking too seriously. Mr Dole is far behind in the polls and, unless he enjoys a remarkable resurgence, the focus will be on the Congressional – not the presidential – elections. While Wall Street would welcome a Republican president, it could live with the status quo: Mr Bill Clinton behaving like a moderate Republican, and Mr Robert Rubin and Mr Alan Greenspan holding the economic reins has been a happy combination for capital markets. What really concerns markets is the prospect of a Democratic victory in Congress, allowing Mr Clinton to return to his original guise as a liberal Democrat.

FT-SE Eurotrack 200: 1699.0 (-4.0)



WPP

The chances of Mr Martin Sorrell, WPP's chief executive, hitting his infamous "free shares" jackpot are improving. Following yesterday's 53 per cent jump in first-half earnings per share, the marketing conglomerate's shares rose to 221p. That means the first tranche of Mr Sorrell's 4.7m free shares – triggered if WPP's stock stays above 198p for 60 days – is virtually in the bag. The shares must climb above 304p in the next three years for Mr Sorrell to scoop the pool. But, given that they were only 135p a year ago, half the distance has already been covered.

Despite the original controversy about the scheme, shareholders will not complain if WPP's stock keeps soaring. To date, the strong recovery has been underpinned by a steady improvement in operating margins, which have been rising at one percentage point a year and should reach 10¾ per cent for 1996. The group's margin target of 12½ per cent for 1998 – roughly in line with Omnicom and Interpublic Group, its main international rivals – looks achievable.

While progress on margins will be harder once the catch-up phase is over, shareholders can still look forward to strong cash flow and gains in market share. There is also scope for the valuation gap to be closed: WPP's enterprise value (market capitalisation plus debt) is just over 1 times sales compared with multiples of 1.3-1.4 at Omnicom and IPG. If WPP enjoyed the same rating, Mr Sorrell would be tantalisingly close to hitting his jackpot.

Kvaerner

Kvaerner's disappointing half-year results would be worrying enough on their own: profits at the Norwegian shipping and engineering group fell 85 per cent once one-off asset sales are stripped out. But the appearance of problems in its core businesses – so soon after the £900m acquisition of Trafalgar House with its own well-publicised difficulties – should be enough to give investors the shivers.

The worst affected area is the pulp and paper division, where weak demand, unprofitable contracts and a big restructuring have combined to produce heavy losses. The management does not expect the underlying market to pick up until 1998. Kvaerner is also suffering from a lack of orders in its oil and gas business. And in shipbuilding, its most profitable division, the forward order book has shrunk to a thin-looking 14 months. By contrast, Trafalgar House, included in these figures for two months, broke even after deducting interest costs and goodwill amortisation.

One of the main reasons for buying Trafalgar was to give Kvaerner the scale to compete for bigger contracts. But the acquisition has left the group with net debt in excess of its £1bn market capitalisation, an uncomfortable position for a contractor. Asset disposals should help correct that, but despite some smaller sales, Kvaerner seems no closer to getting rid of Trafalgar's accident-prone Cunard line. Given the combination of operational and financial risks, the shares look unappealing.

UK hotels

Over £2.5bn of UK hotels and hotel shares are due to be sold between now and the end of the year by Lonrho's Metropole, Thistle and Granada. The timing looks perfect. Millennium & Copthorne, a recent hotel company flotation, last week demonstrated that the hotel recovery has spread from London out into the provinces, where room rates increased 14 per cent in the first half of 1996. Hotel companies convert an extremely high percentage of incremental revenues into profit, so the impact is proving explosive.

Moreover, there are few warning signs to reawaken memories of the last cyclical downturn in the early 1990s, such as the acceleration of hotel development that preceded it. Brokers estimate that the net new supply of hotel rooms since 1990 is less than 3 per cent. Leisure spending is on the increase in the UK, and likewise business travel. Meanwhile, the acquisition of Forte by Granada has meant that the industry leader is capitalising on improved demand by pushing up prices.

Risks remain. If returns on assets get sufficiently fat, there could be a wave of conversions from office blocks into hotels – as in the case of London's County Hall. Or a terrorist scare could discourage tourists. But the industry should have a few good years left. The ineptly-handled Jarvis Hotels offer demonstrated that investors will not support anything – its shares are 7 per cent below the issue price. But there should be a good appetite for attractively priced and structured hotel floats.

Kvaerner profits fall 56% in first half

Continued from Page 1

two months, and the Davy metals unit posted pre-tax earnings of NKr34m. Trafalgar's Cunard luxury cruise line recorded an unspecified loss. Cunard is among NKr13bn of non-core assets to be disposed of by Kvaerner by April 1998. The Norwegian group said it had completed 40 per cent of the sales but indicated it would not rush to offload Cunard.

Group sales, boosted by Trafalgar, rose from NKr15.5bn to NKr22.9bn. Earnings per share dropped from NKr26.66 to NKr11.86 and the combined order book was NKr65.2bn.

The chief concern was a NKr133m loss in the pulp division, against a NKr12m pre-tax profit last time. The deficit was attributed to overcapacity and losses on US contracts. Kvaerner said it was implementing cost cuts.

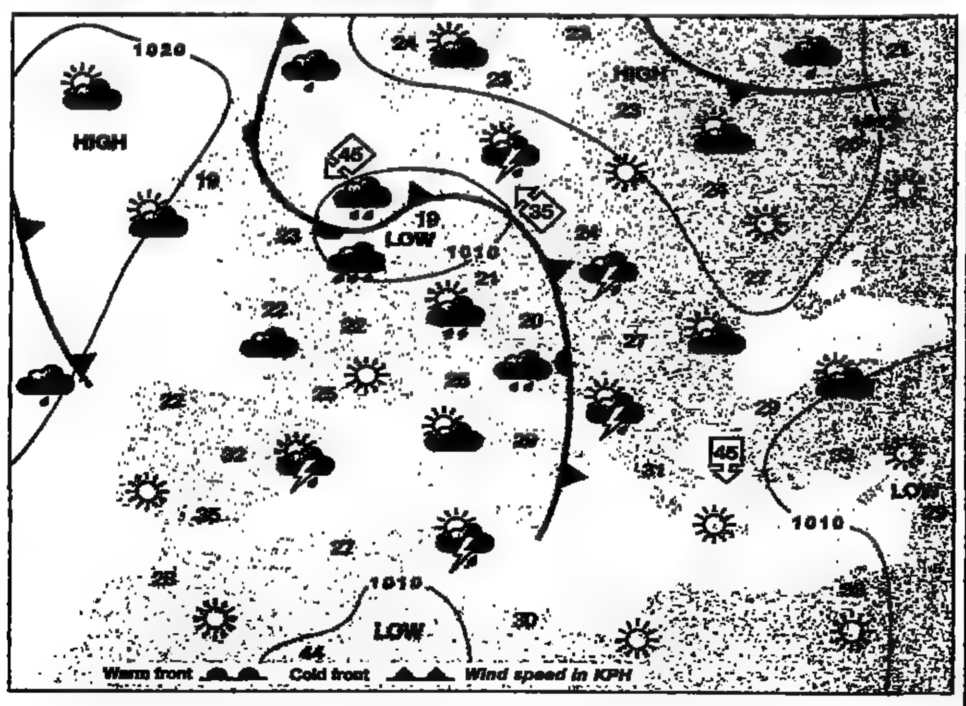
FT WEATHER GUIDE

Europe today

It will be wet in the Benelux, Germany, Poland, Hungary and in parts of the Balkan states. Temperatures will struggle to reach 17C. In the Benelux, total rainfall may locally exceed 50 mm. High pressure will bring another sunny day over Scandinavia. In western Russia, there will be a mixture of sun and cloud as readings stay around 23C. Sunny conditions will prevail in the Mediterranean. In Spain, the north-east coast will have showers or thunderstorms. In southern Spain, Greece and Turkey, temperatures will exceed 30C.

Five-day forecast

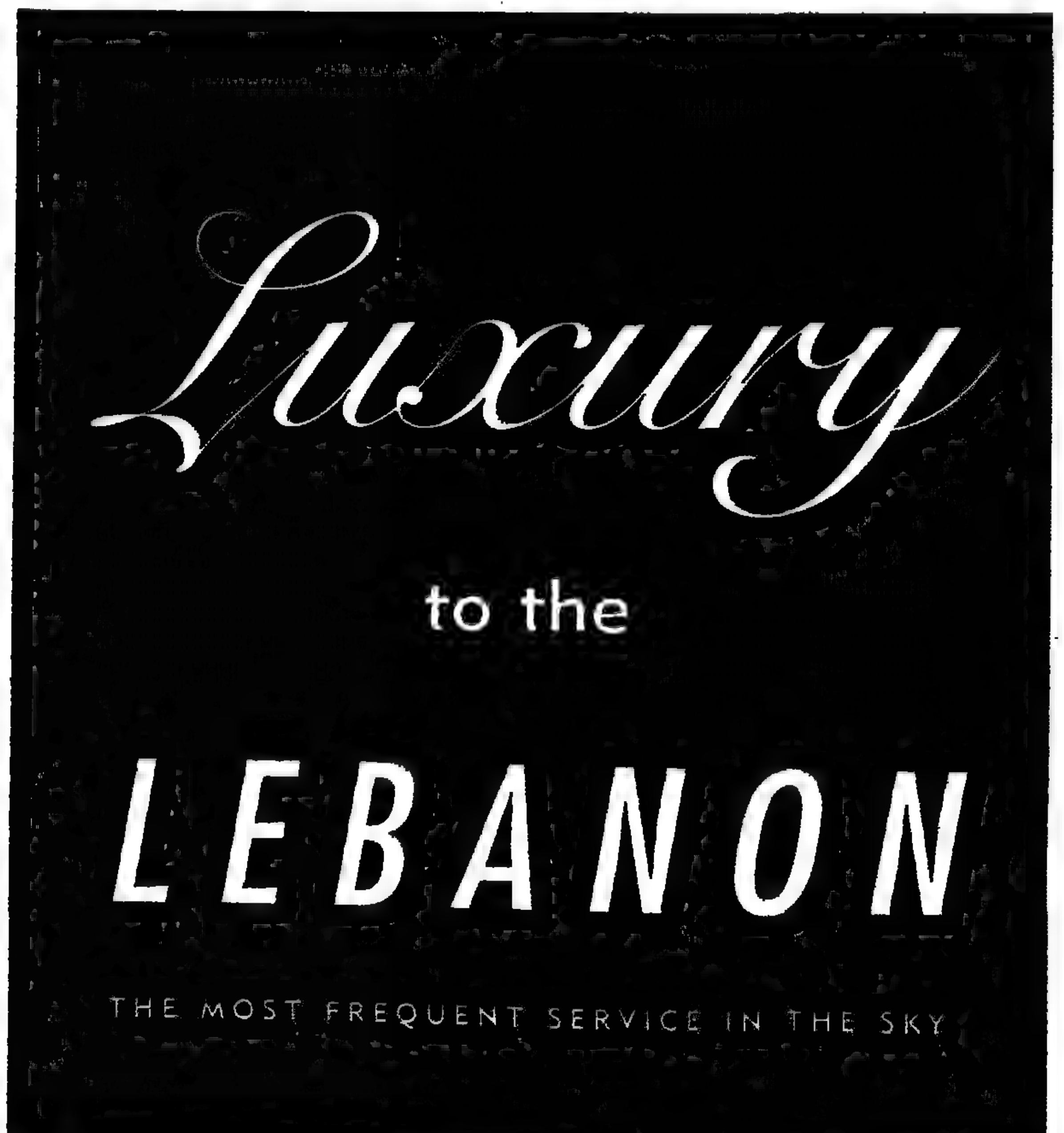
The rain in western Europe will gradually move towards the south-east. As the week progresses, conditions will improve in the Benelux and France, while it will become wet in the Alps and eastern Europe. The Mediterranean region will be fairly calm and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 29	Caracas	shower 32	Faro	sun 27	Madrid	sun 32	Rangoon	rain 31
	Celsius	Belfast	fair 20	Cardiff	fair 21	Frankfurt	rain 20	Majorca	thund 26	Reykjavik	shower 12
Abu Dhabi	sun 42	Belgrade	shower 28	Casablanca	fair 25	Geneva	shower 21	Malta	sun 31	Rio	cloudy 22
Accra	shower 25	Berlin	rain 22	Chicago	fair 29	Gibraltar	sun 28	Manchester	fair 21	Rome	fair 29
Algiers	fair 30	Bermuda	drzzl 29	Cologne	rain 19	Glasgow	fair 21	Manila	shower 31	S. Frsco	sun 26
Amsterdam	rain 19	Bogota	fair 18	Dakar	fair 31	Hamburg	rain 21	Melbourne	drzzl 16	Seoul	shower 31
Athens	sun 31	Bombay	rain 31	Dallas	sun 35	Helsinki	sun 25	Mexico City	shower 20	Singapore	shower 31
Atlanta	fair 31	Brussels	rain 17	Delhi	cloudy 32	Hong Kong	rain 31	Miami	fair 33	Stockholm	fair 26
B. Aires	fair 19	Budapest	rain 22	Dubai	sun 41	Honolulu	fair 32	Milan	shower 24	Strasbourg	rain 20
B.ham	fair 22	C.hagen	thund 22	Dublin	fair 20	Istanbul	fair 29	Montreal	fair 24	Sydney	sun 23
Bangkok	thund 35	Cairo	sun 35	Dubrovnik	shower 27	Jakarta	fair 32	Moscow	fair 22	Tangier	sun 28
Barcelona	thund 26	Cape Town	rain 13	Edinburgh	cloudy 19	Jersey	fair 20	Munich	fair 21	Tel Aviv	fair 32
						Karachi	fair 32	Nairobi	shower 26	Tokyo	rain 27
						Kuwait	sun 46	Naples	fair 28	Toronto	fair 28
						L. Angeles	sun 28	Nassau	shower 33	Vancouver	sun 22
						Las Palmas	fair 27	New York	thund 24	Venice	rain 24
						Lima	fair 19	Nice	fair 27	Vienna	rain 20
						Lisbon	fair 27	Nicosia	sun 35	Warsaw	shower 24
						London	fair 23	Oslo	fair 24	Washington	thund 24
						Lux.bourg	rain 16	Paris	shower 22	Wellington	fair 11
						Lyon	cloudy 23	Perth	shower 15	Winnipeg	rain 25
						Madeira	fair 26	Prague	fair 21	Zurich	shower 18



FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 13 1996

IN BRIEF

Bayer improves 13% in first half

Bayer, the German pharmaceuticals and chemicals group, lifted pre-tax profits 13 per cent in the first half to DM2.7bn ($1.82bn). The company said the result was in line with its expectations and it aimed to achieve sales growth of 6 per cent for the full year and a 10 per cent rise in pre-tax income. Page 15; Henkel lifts earnings 5 per cent, Page 15

Ebner decides against UBS appeal

Mr Martin Ebner (left), the Swiss financier, announced a tactical retreat in his long-running battle over the corporate governance of Union Bank of Switzerland, the country's biggest banking group. He is not to appeal against last month's refusal by a Zurich court to investigate UBS's purchases of its own shares around the time of its extraordinary general meeting on November 22 1994. But Mr Ebner is continuing with other legal actions against UBS and its chairman, Mr Robert Studer. Page 15

Stansky raises Magellan equity holdings
Mr Bob Stansky, manager of Fidelity Investment's Magellan Fund, the largest mutual fund in the US, increased its equity holdings in June, his first month as manager, from 72.2 per cent to 79 per cent. But he did so by putting Magellan's spare cash to work rather than ridding it of its large bond position. Page 14

Injection sought ahead of SFP sale
Mr Walter Butler, former head of the French office of the US investment bank Goldman Sachs and sole candidate to acquire Société Française de Production, the audio-visual group controlled by the French state, has demanded a FFr1.2bn ($230m) recapitalisation as part of the deal. Page 15

German banks look to the east
Last year, German exports to eastern Europe were bigger than to the US and more direct investments went there from Germany than to south-east Asia. And where Germany's business goes, its banks are going too at an unparalleled rate. Page 15

Lonrho outlines plans for hotels
The UK conglomerate Lonrho's Princess Metropole Hotels, which is heading for a £600m-£700m ($936m-$1.09bn) flotation, is poised to spend £81.5m to make the London Metropole Europe's biggest conference hotel. Page 16; Lex, Page 12

Maize forecast sparks fresh price surge
The rally in Chicago grain and soyabean prices found new life after the US Department of Agriculture said this year's maize harvest would be a disappointing 8.69bn bushels against analysts' forecasts of about 9bn bushels. The price of Maize for December delivery on the Chicago Board of Trade rose by the daily limit to $3.41½ a bushel. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
DLW	117	+	4
Zanders Feinpp	94	+	2
Falls			
Kali & Salz	206.5	-	5.5
MAN	355.5	-	9.5
Rheinmetall Brln	700	-	6
NEW YORK ($)			
Rises			
Noram Energy	14[illegible]	+	[illegible]
Falls			
Chesapeake En	44	-	3[illegible]
First Brands	22	-	3
Flower & Hucks	29[illegible]	-	[illegible]
Lilly Eli	75[illegible]	-	1[illegible]
Philip Morris	[illegible]	-	8[illegible]
LONDON (Pence)			
Rises			
Aberdeen Steak	70	+	10
Airtours	65	+	15
Pilco A	251	+	31
Scott Pickford	45	+	12
Scottish Pride	40	+	7
Yorkshire Food	72	+	7
TORONTO (C$)			
Rises			
Lytton Mini	3.65	+	0.65
Prime Systems	4.9	+	0.85
Southernera	8.45	+	0.6
Falls			
Chum	14	-	2
Crown Bulln	2.82	-	1.18
ID Biomedical	8	-	0.85
PARIS (FFr)			
Rises			
Club Med	400	+	12.4
Synthelabo	415	+	8.5
Falls			
Fonc Lyonnaise	555	-	10
GTM-Entrepose	300	-	11.6
Gaumont S N	352	-	18
Worms Cie	252	-	5.9
TOKYO (Yen)			
Rises			
Yokohama Rubbr	629	+	21
Falls			
Brother Ind	566	-	22
Godo Shusei	505	-	25
Nihon Nosan	431	-	10
Takaoka Elec	481	-	39
Toshiba Plant	998	-	52
HONG KONG (HK$)			
Rises			
Zhenhai Refin	2.3	+	0.2
Falls			
Dah Sing Fin	23.75	-	1.05
Orient Telecom	2.85	-	0.25
Peace Hill	2.65	-	0.15
Pudong Dev	1.52	-	0.15
Sing Tao	3.7	-	0.25

New York and Toronto prices at 12:30. Bangkok closed.

Houston Industries buys NorAm

By Richard Tomkins in New York

The rapidly consolidating US energy industry saw two more multi-billion dollar mergers yesterday – one involving an unusual link between an electricity utility and one of the biggest US gas companies.

Texas-based Houston Industries, one of the top 10 electricity utilities in terms of kilowatt-hour sales, said it had agreed a takeover of NorAm Energy, a Houston-based gas utility, for $2.4bn in cash and stock.

Separately, New Jersey-based Atlantic Energy and Delmarva Power & Light in neighbouring Delaware said they had agreed to merge in an all-paper deal that would create an electricity group with a market value of about $2.2bn.

Much of the logic for the merger between Houston Industries and NorAm Energy appears to derive from the fact that they serve overlapping areas. The deal will create a leading wholesale and retail energy group with 3.6m customers in the south-west US.

Amid continuing deregulation of the US electricity industry, the market is becoming much more competitive, prompting mergers between neighbours to share overheads and increase efficiency.

Until now, most of these mergers have involved only electricity utilities. But recently electricity and gas companies have sought to link.

Last month Enron, a Houston-based energy company with big gas interests, announced plans to acquire Portland General, an Oregon-based electricity utility, for $2.1bn. Earlier this year, Texas Utilities, the electricity group, announced plans to buy Enserch, a Dallas-based natural gas company, for $550m in stock and $1.15bn in debt.

Mr Don Jordan, Houston Industries' chairman and chief executive, said: "Market and regulatory forces are changing the industry landscape to a more competitive environment. In addition, the electricity and gas markets are converging and customers are demanding additional products and services."

The acquisition of NorAm Energy would enable the combined company to provide the bundled gas and electric products and services that customers wanted, Mr Jordan said.

Houston Industries is paying $16 a share for NorAm Energy's common stock, half in cash and half in Houston Industries stock. It is also assuming $1.4bn in debt and preferred stock.

Atlantic Energy and Delmarva Power & Light said they expected to save $500m over the next 10 years by sharing overheads – partly by cutting about 10 per cent of the combined workforce of 4,000.

Tobacco shares slide on verdict

By Richard Tomkins in New York and Roderick Oram in London

Tobacco stocks tumbled in London and New York yesterday as markets reacted to Friday's landmark verdict by a Florida jury awarding damages of $750,000 to a lung cancer patient and his wife.

In New York, Philip Morris was $9 down in early trading from its official Friday closing price of $93, making a fall of 12 per cent over the two days. RJR Nabisco was down a further $⅞ at $27⅝, making a fall of nearly 14 per cent over the two days.

The decision became public just as the New York Stock Exchange closed and was only partly reflected in Friday's official closing prices. When the markets reopened yesterday morning, prices tumbled to the levels they had seen in after-hours trading on Friday.

In London, BAT Industries – parent of Brown & Williamson Tobacco, the US tobacco company against which the $750,000 damages were awarded – plummeted 9 per cent, or 45p to 464p, but 10p of the fall was attributable to the shares going ex-dividend.

Shares in Hanson, owner of cigarette maker Imperial Tobacco, slipped 3½p to 165p. London analysts were divided on the impact the ruling would have on the share price of Imperial Tobacco when it is demerged from Hanson in October.

Imperial sells no cigarettes in the US. Although its lack of exposure to US litigation should be positive, the company "will have to address the issue of adverse sentiment" as it does the rounds of institutional investors, one analyst said.

Typically, tobacco stocks rebound quickly from adverse court rulings but if they remain depressed over the next six weeks Imperial will find it harder to escape investors' negative views.

BAT reiterated its optimism that the verdict would be overturned by a higher court.

Richemont, the Swiss-based owner of Rothmans International, closed down SFr50 at 1,815, Tabacalera of Spain eased Pta120 to Pta 4,990 while Seita of France was unchanged at FFr215 after dipping FFr7 earlier in the day.

Bombay exchange to get revamped index

By Tony Tassell

India's most prominent stock market indicator, the BSE 30 index, is to be recast in an attempt to reflect the deep shifts in the profile of the country's capital markets over the past few years.

The long-overdue revision by the Bombay Stock Exchange will see the index, often called the Sensex, become broader based to reflect the rise in prominence of the finance, telecoms and services sectors following the market debuts of public sector companies in these areas.

The index had been fast losing its relevance, with overweighting in a handful of stocks and a composition skewed towards the engineering, textiles and chemicals sectors which once dominated trading but have declined in importance.

Brokers said the changes also reflected the shifting fortunes of corporate India. While former blue chips such as Bombay Dyeing and Manufacturing and Century Textiles will fall out of the new index, rapidly growing companies such as Arvind Mills, the denim maker, and Ranbaxy Laboratories, the pharmaceuticals company, will be added.

Reliance, once the undisputed market leader on the exchange, will also be downgraded in the new index from a weighting of 10.6 per cent to 5.9 per cent. The State Bank of India, the country's largest commercial bank, will now be the largest stock in the index with a weighting of 6.4 per cent.

The recast also reflects rising competition from the NSE 50 index – the National Stock Exchange – for the title of the main indicator for India's share market.

Mr Madan Gopal Damani, the president of the Bombay Stock Exchange, said the new index would be more representative and broader based. It would represent 33 per cent of the BSE's total market capitalisation compared with the current level of 26 per cent.

Mr Divesh Kumar, strategist at WI Carr, a broker, said the new index would be more stable as the top five stocks by index weighting will comprise 38.6 per cent in the new share barometer compared to 52.9 per cent in the existing version.

The new index could be used, he added, as a base for index-linked futures trading or index-linked mutual fund schemes in the future.

The additions to the index will be Arvind Mills, Bajaj Auto, Bharat Heavy Electricals, BSES, Colgate-Palmolive India, Gujarat Ambuja Cements, Hindustan Petroleum Corp, Industrial Credit and Investment Corp of India, Industrial Development Bank of India, Indian Petrochemicals Corp, Mahanagar Telephone Nigam, Ranbaxy Laboratories, State Bank of India, Steel Authority of India and Tata Chemicals.

The deletions to the index will be Ballarpur Industries, Bharat Forge, Bombay Dyeing, Ceat Tyres, Century Textiles, Gujarat State Fertilisers, Hindustan Motors, Indian Organic Chemicals, Indian Rayon and Industries, Kirloskar Cummins, Mukand Iron, Philips India, Premier Automobiles, Siemens India and Voltas.

Mr Damani said a date for the introduction of the new index would be set in the next few days but it would be in operation before the end of the month.

Analysts upgrade full-year estimates after strong first half

WPP beats top forecasts with 40% profits rise

Martin Sorrell: will receive first tranche of his share incentive package next month if the shares stay above 198p Picture: Brendan Corr

By Jane Martinson in London

WPP, the world's largest marketing services group, confirmed its recovery after a disastrous start to the decade with a strong interim performance and better than expected pre-tax profits.

Analysts upgraded annual forecasts for this year and next after the group announced a 40 per cent rise in pre-tax profits to £68.1m ($105m), from £48.5m, in the six months to June 30. This was £2m above the highest forecasts.

House broker Panmure Gordon upgraded its full-year profit forecast to £150m, its third upgrade since January.

Mr Martin Sorrell, chief executive, said the group was still considering what to do with its "surplus liquidity". The most likely use, after a further reduction in debt, would be a special dividend or increased payout.

The group declared an interim dividend of 0.56p a share, up 25 per cent.

In London, the shares rose 7p to 221p as the group revealed higher revenues, particularly in the Americas, better margins and a sharp drop in interest payments.

If the shares continue above 198p Mr Sorrell will receive, on September 11, the first tranche of his controversial share incentive package with the delivery of 1.17m shares, worth about £2.6m at yesterday's share price. Institutional pressure last year forced WPP to modify the scheme.

The group said prospects were good for the rest of 1996 helped in the US by the Olympic Games and the Presidential election campaign, both of which are expected to increase revenues. July revenues were up more than 10 per cent on a like-for-like basis.

However, "uncertain" times meant it would continue to take a cautious approach and focus on margin enhancement and cost cutting. Operating margins improved 1 percentage point to 10 per cent in the period. The group is aiming to increase this to about 12 per cent by 1998, bringing it closer to Omnicom and IPG, its US-based competitors.

With average net debt falling 22 per cent in the period to £169m, compared with £437m in 1992, it was now "manageable", according to Mr Sorrell.

Total revenues rose almost 13 per cent to £833m (£739m) with a 10 per cent increase on a like-for-like basis. Operating profits increased 26 per cent to £83.8m (£66.6m), nearly twice as much as the same period three years ago.

US revenues, which contribute almost half of the total, rose 14 per cent, only marginally less than the growth rate of emerging markets such as Latin America.

The UK was the group's weakest market with revenue growth of 3 per cent. The bottom line was flattered by a 13 per cent drop in interest charges to £15.7m (£18.1m) and a drop in the tax rate from 41 per cent to 36 per cent.
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Europe telecom mergers up after deregulation

By Paul Taylor in London

The number of mergers and acquisitions in the European telecommunications market grew 12 per cent to 67 in the first half of 1996 and were worth $6.4bn, according to Broadview Associates, the technology M&A specialists.

The high level of activity reflects the impact of European deregulation of telecommunications. Broadview, based in London, said the figures for the six months to June 30 also reflected further growth in the wireless sector and consolidation in the cable communications business in particular.

First-half activity in the cable communications sector included the $514m acquisition by Swiss-based Cablecom Holding of Rediffusion of Switzerland which was put up for sale by Alcatel, its French parent.

Other large deals included International CableTel's $331m purchase of NTL, the former transmitter, engineering and research arm of the Independent Broadcasting Authority in the UK and Singapore Telecom's withdrawal from the UK cable television market.

The first half also saw 17 separate deals in the wireless telecommunications sector, continuing the high level of activity seen in recent years. Since 1992 there have been 101 deals in the wireless sector worth a total of $4.4bn.

Among them, Vodafone, the UK group, exercised its option to increase its stake in SFR to 16.5 per cent from 10 per cent. Vodafone paid FFr2.31bn ($46m) to increase its stake in France's second biggest mobile telecommunications company, and said it planned to increase its holding to 20 per cent before the end of 1997.

Other deals included Airtouch's acquisition of a 13.6 per cent stake in Pronto Italia, Deutshe Telecom/DeTeMobil's acquisition of 48.5 per cent of Russkaya Telefonnaya Kompanya, which has six digital cellular GSM licences in western Russia, and CWB Capital Partners' acquisition of an undisclosed stake in Ionica, the British-based telecoms group.

Broadview notes that since 1992 European groups led by France Telecom have been the main acquirers of telecommunications services companies. France Telecom has made 16 acquisitions, Deutsche Telecom has made 11 and KPN, the Dutch Telecoms operator has made five.

France Telecom executed five deals in France, of which four were in the cable sector, notes Broadview: "We see this as part of a France Telecom strategy to defend the 'local loop'." Outside France, seven deals were in the wireless sector and three were in the value added network services business. "These transactions suggest a strategy focused on high growth/high margin business outside France to replace the inevitable loss of revenue in its increasingly competitive domestic market."

As measured by value, Deutsche Telecom topped the league table with more than $2.5bn of transactions since 1992, largely as a result of its strategy of building its presence in eastern Europe.

Telebrás meets forecasts with first-half rise

By Jonathan Wheatley in São Paulo

Telebrás, Brazil's state-controlled telephone holding company, said new telephone lines and increased traffic helped lift consolidated first-half profits to R$1.34bn (US$1.33bn), against R$308m in the same period last year.

The 336 per cent increase was in line with expectations and the company's shares remained stable on the news yesterday.

Telebrás took the unusual step of sending headline figures to stock markets at the weekend in an attempt to calm the markets after turbulent trading last week, when the group's preferred shares swung between R$72.80 and R$78.00 per thousand-share lot.

Telebrás issued its results in accordance with recent changes to Brazilian corporate law, which prohibit adjustments in line with inflation as part of the government's anti-inflationary strategy of removing automatic "indexation" from the economy. The company said its consolidated net profit would have been R$1.146bn had it taken account of inflation of about 7 per cent during the period.

"This is a reasonably good result and slightly better than we had expected," one analyst in São Paulo said. Taking inflation into account and discounting extraordinary items, he had expected underlying earnings of R$1.27bn; making these adjustments to the published figures, its earnings were about R$1.336bn.

Telebrás shares fluctuated strongly last week on talk that the company would report profits of up to R$1.6bn, and following conflicting interpretations of a recent telecommunications law. According to a report from Garantia, a São Paulo investment bank, Telebrás may not benefit as much as expected from the sale of cellular telephone services operated by its subsidiaries, due to take place next year; a later report from US brokerage Bear Stearns set out to calm these fears.

"People were just spreading rumours to help speculation," the analyst said. "But the cellular concessions law is a real problem that the government will have to deal with."

Garantia's report said the law implies that Telebrás will receive payment for any assets sold in the privatisation of its operators' cellular services, but not the added value of the concessions. Bear Stearns said that it expected the government to change the law in favour of Telebrás.

Shui On may re-list

By John Ridding in Hong Kong

Shui On, the Hong Kong construction and property group, is considering re-listing on the stock exchange, according to officials of the privately-held company.

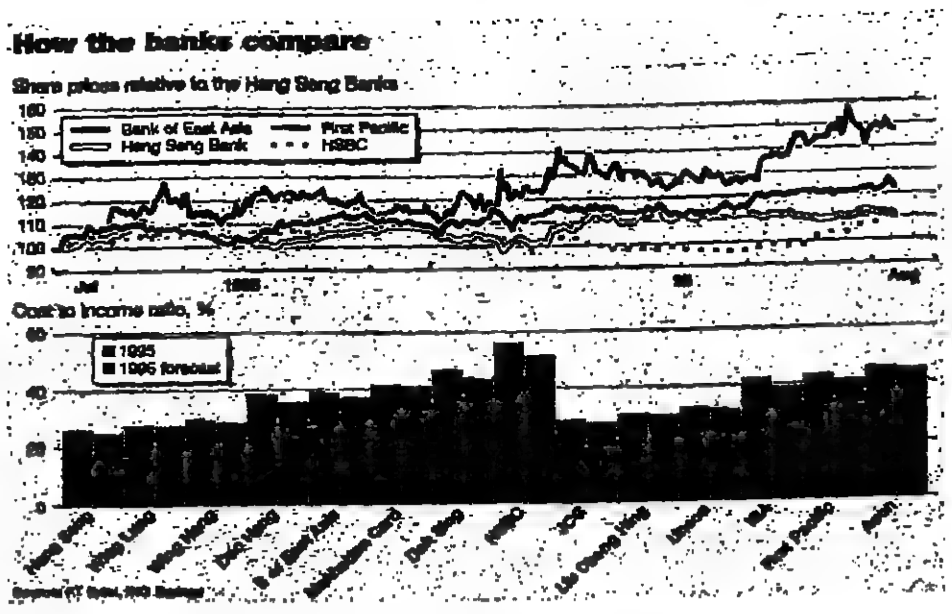
The group took its two listed arms private in 1989 and 1990, in a move prompted by the trading value of its shares, which was below their net asset value, and by the desire of its chairman, Mr Vincent Lo, to spend time on work relating to Hong Kong's return to China.

Mr Lo is a member of the preparatory committee, the body overseeing next year's handover to China. With the transfer looming, he is preparing to refocus his attention on business.

In an interview with the Hong Kong Economic Journal, Shui On declined to comment on the timing of a re-listing but said it was studying proposals prepared by investment banks.

HK banks find their form

The territory's finance sector is thriving, but some doubt its ability to sustain the pace



These are heady days for Hong Kong's banks. Results for the first half of the year have revealed a robust performance, defying gloomy predictions that price wars and increased competition would sap their strength.

Hongkong Bank, the regional arm of the HSBC group, set the ball rolling last week by announcing pre-tax profits of HK$13.61bn (US$1.76bn, a rise of 27 per cent. Hang Seng Bank, its subsidiary, notched up a 34 per cent increase, while Wing Hang and First Pacific have maintained the sequence of double-digit rises.

Expectations of big earnings increases at the Bank of East Asia, due to be announced today, and others in the sector have underpinned a rally on the stock market, lifting banking shares and the Hang Seng index.

The strong results buttress Hong Kong's banking foundations ahead of next year's handover to China and provide a platform for expansion on the mainland. But they also raise questions about whether the performance can be sustained.

Certainly the territory's top bankers have refused to get carried away. "Price competition remains a concern," says Sir Quo-wei Lee, chairman of Hang Seng Bank. "Life is going to get harder and riskier for sure," says an executive at a smaller local bank.

Competition has already made significant inroads into Hong Kong's once-sheltered banking sector. An unprecedented bout of mortgage rate cutting earlier this year was closely followed by a battle in the credit card market, triggered when American Express launched a new service with reduced fees and interest payments.

That profits shrugged off this sharpened rivalry was due to a fall in funding costs and a rise in margins and volumes. The prime lending spread (the margin between the prime rate and the three-month deposit rate) averaged more than 3 per cent in the first half, well above the five-year average.

Margins have also been boosted by a shift in the composition of banks' balance sheets, with an increase in the proportion of high-yielding loans.

Mr Andrew Brown, head of financial institutions research for the Asia-Pacific region at Salomon Brothers, describes this structural shift as the most important development in the Hong Kong market, enabling a significant increase in the return on assets.

He estimates that loans have risen from about 54 per cent of earning assets in 1993 to about 58 per cent for the bigger banks – a trend which has been facilitated by improved liquidity in the inter-bank market, and which still leaves Hong Kong's banks behind the most developed international markets. Loan volumes have risen on the back of strong demand for property finance, although trade finance has been hit by Hong Kong's sluggish export performance.

Some of these trends, such as the shift in asset mix, are set to continue. But in other respects, the going may become more difficult.

Ms Carmel Wellso, of ING Barings, warns that any rise in US interest rates, which dictate Hong Kong monetary policy through a currency peg, would raise funding costs. Mortgage demand may wane towards the end of the year, she adds, as real interest rates rise with falling inflation.

Less predictable risks attach to Hong Kong's handover to China. Capital flight resulting from political concerns or speculative attacks on the Hong Kong dollar peg could force up interest rates. Any serious fall in confidence would hit banks through the property and consumer markets.

Few in the industry subscribe to doomsday scenarios and most point to the resilience of Hong Kong's economy and banking sector.

As Ms Wellso points out, previous political upheavals, such as the suppression of democratic protests in China in 1989, saw only temporary jitters amid underlying strong deposit growth. Hong Kong's banks are sturdy by international standards, with average capital adequacy ratios of 17.5 per cent, more than double the required international rate.

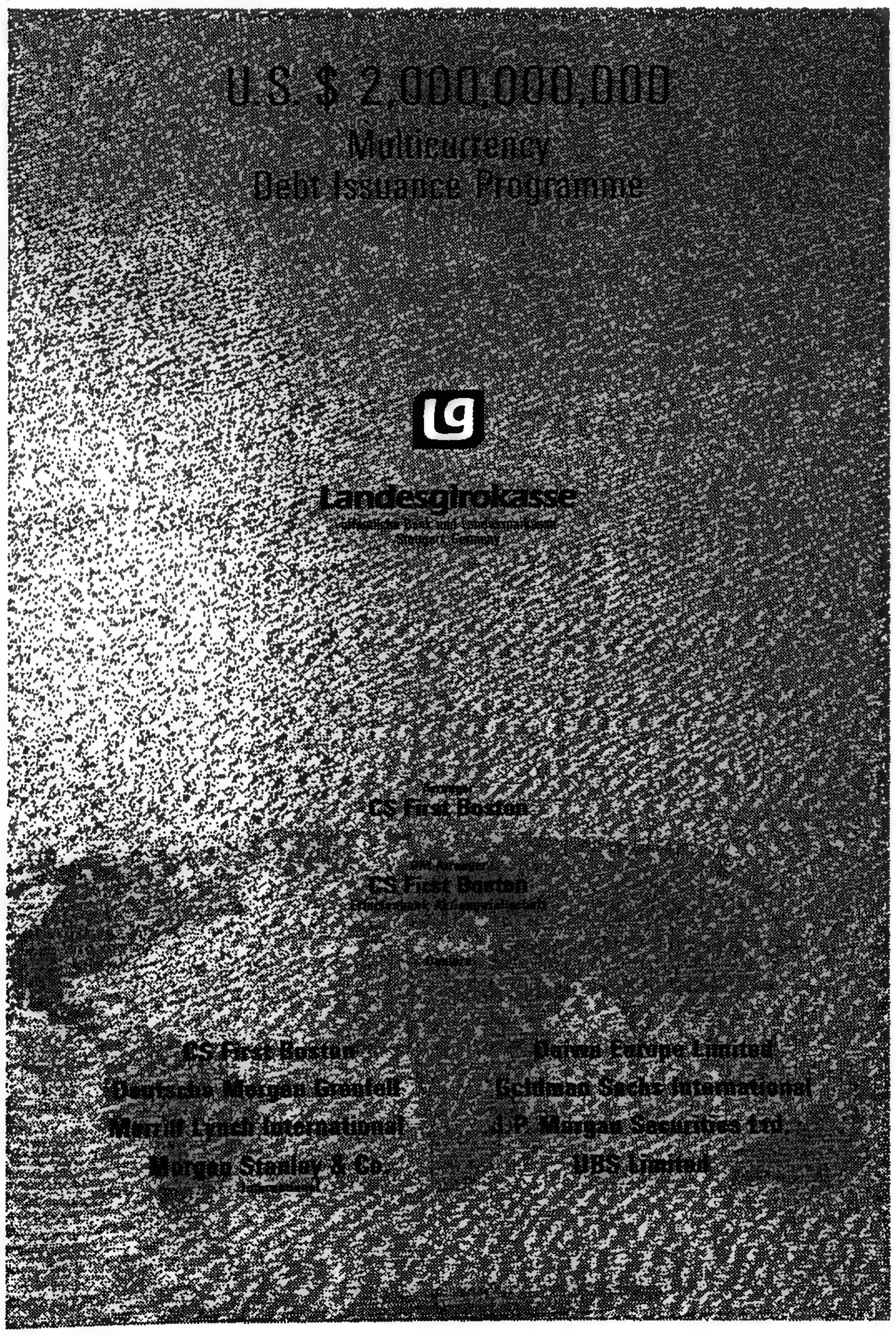
Of greater concern in the industry is the need to match strategies to the territory's increasingly competitive market and to find new sources of growth. Costs have been curbed, partly through the relocation of back-office operations. But diversifying earnings to non-interest sources has proved difficult, partly because of competition for fee-based trade finance services and low brokerage volumes.

Geographically, attention has focused on the mainland. Bank of East Asia and Hongkong Bank have been the most aggressive, but others are stepping up efforts. Mr Alexander Au, chief executive of Hang Seng Bank, plans to upgrade the group's Shanghai representative office to a branch. It already has a branch in Guangzhou and offices in Shenzhen and Xiamen.

Such moves may be matched by partnerships between Hong Kong and mainland banks. Hongkong Bank and the Bank of China dismissed speculation earlier this year that the mainland institution was eyeing a stake in Hang Seng Bank. But some see the potential for smaller deals, perhaps through joint ventures which would exchange Hong Kong expertise for access to the mainland market.

Few expect China to deliver rapid returns. "We are limited to foreign exchange business for foreign clients," explains one Hong Kong manager in Shenzhen, southern China. "Reform is moving things in the right direction, but not fast." With returns at their current level in Hong Kong, his bank, like others, can afford to be patient.

John Ridding



Price wars hit Oriental Press

By Louise Lucas in Hong Kong

The cost of Hong Kong's newspaper price wars was brought home yesterday when Oriental Press, one of the colony's biggest newspaper and magazine publishers, reported a sharp downturn in net profits, from HK$404m in the year ending March 31 1995 to HK$25.06m (US$3.24m) in the last financial year.

The company has cut its dividend from 14 cents the previous year to 2 cents, but is proposing a bonus 1-for-10 issue of warrants. Earnings per share for the last financial year were 1.78 cents, down from 27.87 cents.

Oriental Daily, the Chinese language mass-market paper published by the company, was a casualty of the price wars, which began when Apple Daily was launched by Mr Jimmy Lai, a clothes-to-media tycoon who set the newspaper industry alight by selling his newspaper below the uniform $5 charged by his many competitors.

By December, when the price cutting began in earnest, Apple Daily had a cover price of $4, while Oriental Daily dropped to $2 before returning to $5. Mr Patrick Wong, public relations controller at Oriental Press, put the cost of the price war at HK$138m in the first half and HK$113m in the second half, as circulation tumbled from 800,000 to the current figure of less than 600,000.

Oriental Press, which joined the Hang Seng Index in November 1994, was also beset by a downturn in advertising revenues, increased newsprint costs and the one-off expense of closing the Eastern Express, Hong Kong's third English-language daily, which was axed in June after two and a half years in publication.

The closure of Eastern Express, which claimed a circulation of about 40,000, cost the company HK$71.59m. In the previous year, Eastern Express made a loss of HK$124.02m.

Analysts had expected net profits to fall, but many had recently upgraded their forecasts, based on intelligence from Oriental Press management.

Mr Wong said: "There was some mistake because we did not carefully calculate the newsprint costs, and there was some misunderstanding between the analysts and our management."

NEWS DIGEST

New chief alters mix at Magellan

Fidelity's Magellan Fund, the biggest mutual fund in the US, raised stocks to 79 per cent of its holding on June 30, from 72.2 per cent at the end of May. It reduced bonds to 18.1 per cent of assets from 19.3 per cent, and cut cash to 2.8 per cent from 8.5 per cent, Fidelity Investments reported yesterday. Assets last month shrank 6 per cent.

The June holdings reflect changes made by Mr Robert Stansky, who took over as portfolio manager of Magellan on June 3 from Mr Jeff Vinik, whose gamble on bonds last year hurt Magellan's performance early this year.

In spite of Mr Vinik's successful long-term record at the helm of Magellan, some investors criticised him heavily after he moved into Treasury bonds and less aggressive stocks. In the first five months of the year, Magellan had one of the worst returns among growth company funds. While Mr Stansky has been working to change the fund's holdings, some investors apparently got tired of waiting for better results.

Assets in Magellan fell to $50.97bn at July 31, compared with $54.46bn on June 30, Fidelity said yesterday.

While Magellan boosted its stock holdings and cut its assets in bonds during June, the fund's top three holdings remained treasury bonds. Energy stocks remained Magellan's largest equity sector at 13.5 per cent of assets at June 30. Companies making durable goods, such as cars and refrigerators, remained the second-largest stock sector.

Reuter, Boston

Microsoft upgrades Explorer

Microsoft is stepping up its battle to gain a big share of the Internet software market, with an improved version of its Internet Explorer web browser software that will challenge rival Netscape Communications.

Microsoft Internet Explorer 3.0, due to be introduced today, includes support for key Internet technologies such as Java and ActiveX. These are features that Microsoft hopes will finally allow it to leapfrog the capabilities of Netscape's Navigator browser.

Internet Explorer and Netscape Navigator allow computer users connected to the Internet to view pages of text and graphics on World Wide Web sites. These products are known as browsers, and have become an important focus for Microsoft as it seeks to catch up with the popular Netscape Navigator browser.

"Internet Explorer 3.0 is the first web browser from Microsoft that has features equal to, and in some areas exceeds, the features found in Netscape Navigator. It will be the cause of renewed fighting between Microsoft and Netscape," said Mr Clay Ryder, senior industry analyst at Zona Research, a US market research company.

A recent survey of Internet users within corporations conducted by Zona, found that 87 per cent used Netscape Navigator as their primary browser, compared with just 4 per cent using Internet Explorer.

Microsoft is expected to increase its market share in the corporate market, because previous versions of Internet Explorer 3.0 were available only as test versions, and many companies forbid the use of such software, Mr Ryder said.

The latest version of Internet Explorer shows how the Internet software market is becoming polarised between supporters of competing technologies, rather than being based on common technologies. For example, Microsoft is championing its ActiveX technology, which it says will improve web sites, while Netscape favours its own LiveObjects technology.

The rivalry between Microsoft and Netscape and their choice of different technologies could add to the cost of maintaining web sites as companies strive to take advantage of the features of the competing web browsers.

Tom Foremski, San Francisco

Guangdong Expressway debut

Guangdong Provincial Expressway Development, which manages toll roads and bridges in southern China's Guangdong province, is to make its debut on the Shenzhen B share market this Thursday – having missed the auspicious "double eight" date of the previous Thursday. B shares are theoretically the preserve of foreigners, but brokers estimate up to 60 per cent of trading in Shenzhen is carried out by locals.

The company raised HK$477.9m (US$61.8m) through the issue, which was some three times subscribed in spite of being the highest priced B share to come to market this year and coinciding with a period of turbulence in the mainland's B share markets.

The offering comprised 135m B shares, which were priced at HK$3.54 each. This put the stock on a projected price/earnings ratio of 8.1 times 1996 earnings. Guangdong Expressway reported net earnings of 118.48m yuan last year, up from 113.55m yuan in 1994.

Proceeds of the issue are to be channelled into the construction of an 80km expressway linking Foshan and Kaiping in Guangdong province. The company already manages the Guangzhou to Foshan highway, and calculates the new road will require a total investment of Yn3.3bn (US$397m). Bank of America acted as lead global co-ordinator on the offering, marking its maiden foray into equity underwriting.

Louise Lucas, Hong Kong

LG International advances

LG International, the trading arm of South Korea's Lucky-Goldstar group and a manufacturer of garments and ready-made suits, yesterday reported net profits of Won18.8bn ($23m) for the first six months to June 30, compared with Won8.7bn a year earlier. Turnover rose from Won3.965bn to Won5.867bn. *Reuter, Jakarta*

Antah, TAS shares suspended

Trading in the shares of Antah Holdings and Triumphal Associates (TAS) has been suspended at the companies' request pending announcements, a Kuala Lumpur Stock Exchange official said yesterday. Shares of Antah, a diversified group, closed on Friday at M$3.20 and TAS, a heavy equipment and automotive parts dealer, at M$12.30.

Reuter, Kuala Lumpur

United Tractors shows growth

Indonesia's United Tractors said it posted a net profit of Rp32.06bn ($8.9m) in the first six months of 1996, against Rp24.40bn in the same period last year. *Reuter, Jakarta*

HK brokers lose directors

Top-level management shake-ups and large-scale defections are continuing at two prominent brokerages in Hong Kong following their sale to outside interests, reports *AP-DJ* from Hong Kong.

Crosby Financial Holdings, which last week sold a majority of its securities unit to France's Société Générale, confirmed yesterday that Crosby Securities' managing director, Mr Mark Martyrossian, and its deputy managing director, Mr Archie Hart, had both left the company for undisclosed reasons.

At Sun Hung Kai, which sold a 33 per cent stake in its securities arm to Allied Group last month, chief executive Mr John Yip and executive director Mr Albert Chan have both tendered their resignations, said a group official who requested anonymity.

Mr Martyrossian's departure was the third by a board member in the past two weeks. The exodus affected the group's Singapore and India offices even before the deal with Société Générale was announced.

Société Générale agreed to lift its stake in Crosby Securities from 49% to 75% and to form an investment bank with Crosby Financial Holdings.

About 20 top sales and research employees have left Crosby in recent weeks, while about 50 employees left Sun Hung Kai Securities after Allied paid HK$744.0m (US$96.2m) for its stake, the Sun Hung Kai official said.

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Brown & Root in Greek deal

Brown & Root, the UK engineering and project management group, has signed a five-year contract to manage Hellenic Shipyards, the loss-making Greek yard which was restructured earlier this year on terms agreed with the European Union.

The contract with ETVA, the state-controlled development bank which owns 51 per cent of the yard, and the workforce, who control the remainder, calls for a fixed management fee plus bonuses for improving productivity and profits.

Brown & Root's management team will take over next month, the shipyard said. The yard, the largest in the eastern Mediterranean, carries out repair work for commercial vessels and is halfway through a frigate-building programme for the Greek navy. A business plan prepared as part of the restructuring calls for Dr12bn ($50m) in fresh investment to modernise equipment.

Hellenic's unions have agreed to 300 job cuts in the next five years, which would reduce the workforce to 2,000. The yard is expected to make a profit this year following the write-off of more than $110m in accumulated debt and a Dr14bn payment from the defence ministry to cover work on the new frigates. *Kerin Hope, Athens*

Tele Danmark wins contract

Tele Danmark, the Danish telecommunications operator, has won a contract to update Unibank Markets' dealing room. The value of the contract was not disclosed. Copenhagen-based Unibank has the largest dealing room in Scandinavia with 255 staff involved in shares, stocks, money market products and derivatives.

Tele Danmark was privatised in 1994. On July 1 the market for telecommunications in Denmark was opened up to foreign competition, 12 months ahead of the rest of Europe. *Andrew Arnold, Copenhagen*

Allianz sells stake in AKV

Allianz, the German insurer, has sold its 12.5 per cent stake in Allgemeine Kreditversicherung (AKV) to Rewe-Handelsgruppe. Allianz said the sale was carried out to comply with the wishes of European competition authorities, who ordered the sale in connection with its pending acquisition of Hermes Kreditversicherungs from Munich Re. Rewe already owns 75 per cent of AKV, Allianz said. *AFX News, Munich*

BBV plans Mexican injection

Banco Bilbao Vizcaya, the Spanish bank, plans to invest Pta6.25bn ($49.6m) to integrate the recently acquired branches of Mexico's Banca Cremi and Banco de Oriente into its own network, according to press reports. Last week, BBV paid Pta2.66bn for the 159 branches, which will increase its Mexican network to 809. The full integration of the new branches is expected to take place before the end of 1997. *AFX News, Madrid*

Nabisco expands in Spain

Nabisco Iberia, the RJR Nabisco Holdings unit, has acquired Galletas Fontaneda, a Spanish biscuit company, for an undisclosed sum. Following the purchase, Nabisco Iberia said it would control 26 per cent of the biscuit market in Spain, where it already owns the local companies Artiach and Marbu. *AFX News, Madrid*

Injection sought ahead of SFP sale

By Andrew Jack in Paris

The candidate to acquire Société Française de Production, the audio-visual group controlled by the French state, has demanded a FFr1.2bn recapitalisation as part of the deal.

Mr Walter Butler, former head of the French office of the US investment bank Goldman Sachs, has offered to buy SFP for FFr50m ($9.89m) and to assume its FFr250m in debt, on condition that the government injects new money to cover past losses.

He says his offer, which is believed to be the only one submitted, would save the group and preserve many of its staff, and allow it to be back in profit by 1999.

The government last month announced its intention to privatise SFP by a trade sale, which provoked union anger and led to accusations that it had committed itself to a restructuring plan and job losses without prior discussion.

Mr Butler, who acquired and restructured the BDDP advertising group in 1993, has pledged to preserve the maximum number of jobs at SFP, while stressing that his offer includes a FFr600m restructuring provision to be undertaken by the state and which is widely expected to be used for job cuts.

In an apparent mark of protest, unions cancelled a meeting with Mr Butler on Friday, although he expressed his continued willingness to discuss his proposals with every single employee if necessary.

A recapitalisation could create problems with the European competition authorities in Brussels, which earlier this year approved an injection of state funds to SFP to cover its losses, on condition that it was the last assistance ahead of a sell-off.

SFP has absorbed some FFr8bn in state subsidies since 1985, and has never made a profit. For 1995, it reported losses of FFr270m.

Bayer 13% advance meets expectations

By Jenny Luesby

Bayer, the German pharmaceuticals and chemicals group, lifted pre-tax profits by 13 per cent in the first half, to DM2.7bn ($1.82bn).

The group did not detail the sources of the earnings growth, but said income from the sale of its Consumer Care brands had contributed to the rise, as had productivity improvements.

The volume of sales remained static, but prices were 1 per cent higher than in the first six months of last year. In addition, favourable currency movements lifted revenue by 2 per cent, while acquisitions added 4 per cent.

In total, sales rose by 7 per cent, to DM24.8bn, with the strongest growth delivered by the polymers and organic products divisions and Agfa, all as a result of acquisitions.

In the first six months of the year, the group's German operation cut its staff by 2.8 per cent, or 1,350. Acquisitions outside Germany reduced net job cuts for the group to 400, reducing total employment to 142,500.

In Germany, employee costs were 1.8 per cent higher in the first half than a year earlier, and were 3.6 per cent higher for the whole group.

The half-year figures were in line with its expectations, the group said.

It still expected to achieve sales growth of 6 per cent for the full year, and a 10 per cent rise in pre-tax income.

These forecasts were based on current exchange rates and assumed a modest recovery in the chemical markets, especially in Europe, Bayer said.

Sales rose by 3 per cent in Europe in the first half, to DM14.5bn, or 58.7 per cent of group turnover.

In North America, sales grew by 20 per cent. Half of this rise was due to acquisitions, the group said, and the stronger dollar also had a positive effect.

Latin American sales grew by 15 per cent, to DM1.3bn, but sales in Asia, Africa and Australasia fell, due to the weakness of the yen.

Henkel, the German chemicals group, lifted earnings by 5 per cent in the half-year to June, in spite of "high competitive pressures" in the European detergents market, writes Jenny Luesby.

Group sales climbed by 13.1 per cent to DM8.04bn ($5.43bn) as a result of acquisitions, which included the first-time consolidation of cosmetics producer Schwarzkopf, bought from Hoechst last year.

In the group's largest business, detergents, competition had remained harsh in western Europe, the group said. Nonetheless, sales growth in Russia and Egypt, and the consolidation of the group's joint ventures in China, lifted sales by 4.2 per cent, to DM3.1bn.

In chemicals, sales were static, at DM2.1bn, with declines in the domestic market offset by export growth.

Sales in the cosmetics and bodycare division almost doubled to DM1.3bn following the consolidation of Schwarzkopf. In the adhesives and technical chemicals division, sales climbed by 16 per cent to DM1.1bn, also as a result of acquisitions.

Pre-tax profits in the period rose by 5 per cent to DM397m.

Mr Hans Dietrich Winkhaus, chairman, said the group had written off DM400m in goodwill in the first half, and expected to charge a similar amount in the second half.

He remained confident that the group would meet its targets for double-digit sales growth this year, and slower profit growth. However, in spite of the fillip from acquisitions, this outcome would depend on an improved consumer climate in Europe and further economic improvements in the US and Asia, the group said.

Partial retreat by Ebner in battle with UBS

By William Hall in Zurich

Mr Martin Ebner, the Swiss financier, yesterday announced a tactical retreat in his long-running battle over the corporate governance of Union Bank of Switzerland, the country's biggest banking group.

He is not to appeal against last month's refusal by a Zurich court to launch a special investigation into UBS's purchases of its own shares around the time of its extraordinary general meeting on November 22 1994.

The outcome of this meeting, which agreed to the creation of a single class of bearer share, has been the main area of contention between Mr Ebner and the UBS management.

Mr Ebner, whose effective voting power was curtailed by the proposed new share structure, is seeking to have the decision of the meeting annulled in a separate court case, which is still pending before the commercial court in Zurich. The outcome is important for UBS since it is delaying the modernisation of its share structure, which in turn limits its capital raising ability.

Mr Ebner said yesterday that it had taken nearly two years for the Swiss courts to rule on his request for a special investigation and the result of any appeal would not be known before 1998.

However, despite his recent legal setbacks, he appears determined to press on with his battle. His main attack centres on his court challenge of the results of the 1994 EGM.

However, he has also asked the Zurich district attorney to bring criminal charges against Mr Robert Studer, the UBS chairman, for alleged wilful mismanagement, and last month he took the first step to challenge the election of directors at the bank's last annual meeting.

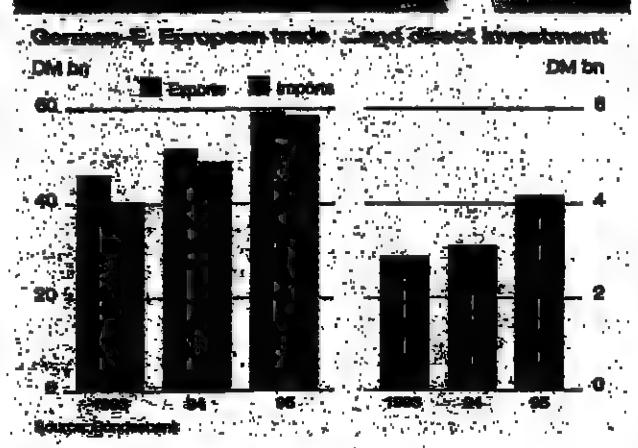
The long-running battle is sometimes dismissed as little more than a personality feud between Mr Ebner, a rising star on the Swiss financial scene, and Mr Studer, one of the old guard.

Mr Ebner is UBS's biggest shareholder by virtue of his control of BK Vision, an investment fund which has 70 per cent of its assets invested in UBS.

UBS shares have underperformed those of its rival Swiss banks in recent years and BK Vision's shares have started to underperform the Swiss market this year.

To date, BK Vision shares are not trading at a discount to net asset value. But if they did, it would indicate that investors were losing faith in Mr Ebner's money-making skills. Mr Ebner probably has more to lose than UBS in the outcome of this legal marathon.

German banks offer an umbrella to E Europe



It was an old joke, but it still raised a laugh. When Mr Hilmar Kopper, chairman of Deutsche Bank, was in Budapest at the recent opening of its subsidiary there, he used the Mark Twain quip about a banker being like someone who lends you an umbrella when the sun shines and takes it away when it rains.

He quickly added, however, that Germany's biggest bank was in Hungary for the long term. It would not snatch its umbrella away in difficult times.

The business potential in central and eastern Europe is enormous, the Bundesbank, the German central bank, said in its latest monthly report. Prospects are brightest in Poland, Hungary and the Czech Republic, the main "reform countries", and in Slovakia, Slovenia and the Baltic states. But banks are also keeping a close eye on areas where economic progress is less well advanced.

"The activities of German banks in eastern Europe stem in part from the last century," says Mr Eugen Schuba, head of the east European department at Bayerische Vereinsbank. "These countries are neighbours we have known for a long time."

Figures from the European Bank for Reconstruction and Development show German banks have advanced the largest volume of commercial bank loans to the region, followed by the Netherlands, France, the US and Austria. Banks from these and other countries are active in eastern Europe, but not in the same depth as the German institutions. ING Barings and ABN Amro, of the Netherlands, have built up a substantial presence, as have Citibank, of the US, and Austrian banks.

Yet, as the Bundesbank stated, economic ties between Germany and the region are growing especially fast. Last year, German exports there were bigger than to the US.

Where business goes, the banks go, too. "One of our functions is to follow our customers abroad, or even be there before them, and assist them," says Mr Hans-Heinrich Matthias, head of Dresdner Bank's corporate and international division.

As Mr Martin Kohlhaussen, chairman of Commerzbank, said in a recent speech, "there is a clear west-east gradient among the central and eastern European reform countries". The most progress had been made in Poland, the Czech Republic, Hungary and Slovenia, while Russia and the other former Soviet states were at the other end of the scale.

The further east that German banks go, the more cautiously they proceed. "We do not open a subsidiary in places where we feel the banking system is under-developed," says Mr Hubert Pandza, head of the eastern Europe/central Asia department at Deutsche Bank.

"German companies are very keen to work in eastern Europe," he says. But to help realise the economic and trade potential in such countries, patience is paramount. "We are relationship-oriented, not just deal-oriented", Mr Pandza says.

Many German companies are taking advantage of lower wage costs in neighbouring eastern European countries to increase component supplies from the region, invest in new manufacturing facilities or set up joint ventures. But banks are also striving to build up more local business.

"No foreign bank can live from foreign companies alone," says Mr Jan Baechle, of Commerzbank, which has a 21 per cent stake in Poland's Bank Rozwoju Eksportu (export development bank).

"We need the Polish market and we need the Polish as clients."

Mr Schuba agrees. "We will never become the main house bank for local companies, but we can help them with trade finance, corporate and project finance, mergers and acquisitions advice and treasury business."

To stimulate local business, Deutsche Bank is putting up half of a DM100m ($67.5m) venture capital fund in Hungary, Poland and the Czech Republic to help finance local companies, joint ventures with German companies and management buy-outs.

According to Mr Kopper, the business opportunities in east Europe "cannot be estimated highly enough". Its umbrella will need to be a big one.

Andrew Fisher

COMPANIES AND FINANCE: UK

Lonrho outlines future for hotels

By Ross Tieman and Scheherazade Daneshkhu

Princess Metropole Hotels, the Lonrho business heading for a £600m-£700m flotation, is poised to spend £81.5m ($127.1m) to make the London Metropole Europe's biggest conference hotel.

Detailing plans to float on the London Stock Exchange yesterday, Mr Dieter Bock, Lonrho chief executive, said the Princess Metropole would aim to grow by expanding capacity and improving occupancy.

The flotation will be marketed in Britain, continental Europe, and the US.

The sale will repay Lonrho's £800m of borrowings. It is to be followed before the year's end by the flotation of Lonrho's African trading arm, leaving a rump mining business with interests ranging from precious metals to oil and gas.

Mr Bock, who took control of Lonrho last year after ousting Mr Tiny Rowland, the group's creator, plans to head the African business and take a 20-25 per cent stake in it.

Mr Bock said the flotation, scheduled for next month, would realise value for Lonrho shareholders, who will be given priority in applying for shares.

It is understood that once floated, the first move by the Princess Metropole board will be to add 360 rooms to the 745-bed London Metropole and to double conference space to 44,000 sq ft.

Last year, its occupancy rates were 66.2 per cent and the average room rate was £57.80. Both were below the industry average for similar hotels of 69.3 per cent and £66.69, according to Horwath International, hotel consultant.

Princess operates 10 resort and convention hotels in the Caribbean, Mexico, and US.

Birmingham-based Metropole has five hotels with 675 rooms. It also has a contract worth more than £1m a year to manage hotels and game lodges owned by Lonrho's African trading business.

Princess Metropole will probably float some weeks earlier than Thistle hotels, the UK's second largest hotel company, and the two will be the largest new hotel issues this year.

One analyst said yesterday: "Both will be tough to sell because the new issues market has gone soggy and there is an increasing concern among institutions that hotels are coming to market this year because they are at the top of the hotel cycle."

BBC talks with Flextech

By Raymond Snoddy

The BBC is in advanced negotiations with Flextech, the European programme subsidiary of Tele-Communications of the US, on a joint venture to launch as many as six cable and satellite television channels.

A deal with Flextech could give the BBC its long-sought entry to the US market. The BBC would get the financial backing of TCI, one of the world's largest media groups, estimated to be worth about $35bn, to launch new channels, not just in the UK, but worldwide.

Flextech, which owns, has stakes in, or manages 13 satellite channels, would have its growing role as one of Europe's largest suppliers of satellite television channels enhanced.

The Flextech channels range from TCC – The Children's Channel – to Bravo, the channel that until recently marketed itself as "time warp television" and includes a stake in the UK Playboy channel.

The BBC has a huge programme library and has been looking at the potential of launching new subscription channels for some time.

TCI, run by Mr John Malone, and based in Denver, is the largest cable television operator in the US. Through its programme arm, Liberty Media, it has stakes in more than 90 channels in the US, including a 49 per cent stake in Discovery channel. The channel, devoted to factual and documentary programming, already carries a considerable number of BBC programmes.

The new BBC channels would almost certainly be launched on existing analogue satellite services but could then also be broadcast on the new digital satellite services as they develop.

It is not clear what the financial relationship between the BBC and Flextech would be in the event of a deal. But it is likely that Flextech would provide the finance to launch and develop new channels in return for significant stakes.

CRH in moves to expand

By Simon London

CRH, the Dublin-based building materials group, has unveiled a batch of acquisitions and capital spending projects in the UK, US and mainland Europe totalling I£55m ($88.5m).

The largest investments are in Utah, where the group has bought an aggregates and ready-mix concrete business for I£10.5m, and in the Netherlands, where its Dutch Brick subsidiary is investing I£10.5m upgrading manufacturing facilities.

In the UK, Keyline Builders Merchants has acquired 10 new branches in two separate transactions for a total of I£5.1m. Most are in south Wales, where it has purchased the assets of Roofing Centres and Western Brick.

The new branches showed combined trading profits of I£700,000 in 1995 on turnover of I£12m.

The acquisition of three new DIY stores for I£8.4m, through its Van Neerbos subsidiary, also expands its retailing activities in the Netherlands.

Mr Don Godson, chief executive, said CRH had spent I£200m on acquisitions in the year to date. Its previous record expenditure was I£159m in 1994.

CRH has traditionally based its expansion on small bolt-on buys and organic capital investments. This year, however, it has made two larger acquisitions in the US. Those, and the deals announced yesterday, will be financed out of cash flow and existing facilities.

A marriage of necessity

Tim Burt on the joint venture between Dowty and Messier

When Britain's TI Group opted for an arranged marriage for its Dowty landing gear business with Messier of France, it took 18 months to negotiate the deal and two months to agree on a logo.

For the executives behind the joint venture, who eventually settled on a French design depicting an airport runway, agreement on the logo marked the end of a long and sometimes painful journey to create the world's largest landing gear manufacturer.

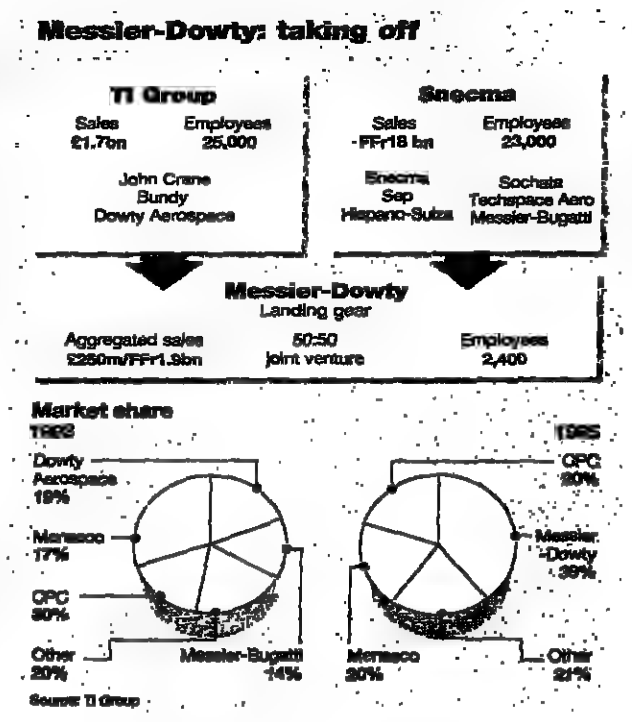
It was a marriage not of convenience but of necessity. Both had realised the recession among airlines and aircraft makers made partnerships more desirable.

Indeed, Messier, a subsidiary of French aero-engine group Snecma, was already working with Menasco of the US, while Dowty, acquired by TI in 1992, was courting North America's CPC Industries. But they failed to consummate those relationships, and fell into each other's arms in the hope that that a European force would emerge to dominate the landing gear industry. So it has, capturing 39 per cent of the market.

Yet for TI, a joint venture was not the preferred option. Had it been able to agree on price, it would have rather bought one of its US rivals.

"TI's first instinct is to control and buy; that's what we like to do," says Mr Tony Edwards, chairman and chief executive of the joint venture.

It must have been galling, therefore, to be told by the French government that Messier's landing gear business was not for sale. So the UK group had little option but to embark on 50-50 joint venture talks in 1992.



Source: TI Group

TI has emerged with most of the prizes in the course of the negotiations. Perhaps hardened by its hostile takeover of Dowty and experiences in the US, it made a number of tactical concessions in return for a strong hand in the operating management and dividend arrangements.

Such moves are an essential part of joint ventures: knowing when to compromise in the expectation of gains around the corner.

The TI negotiators, for example, compromised on the name Messier-Dowty and the choice of logo, while winning the right to impose TI financial controls and UK accounting procedures.

It chose the chairman and chief executive and finance director; the French side nominated the chief operating officer and deputy finance director.

Moreover, the higher valuation put on Dowty enabled it to extract a beneficial distribution of profits in the first three years of the joint venture. It took 90 per cent of the £17.2m profits last year, achieved on sales of £248.1m. This year, the second of the joint venture, that share falls to 80 per cent and to 62.5 per cent in 1997.

Thereafter, profits will be shared equally between the two parents.

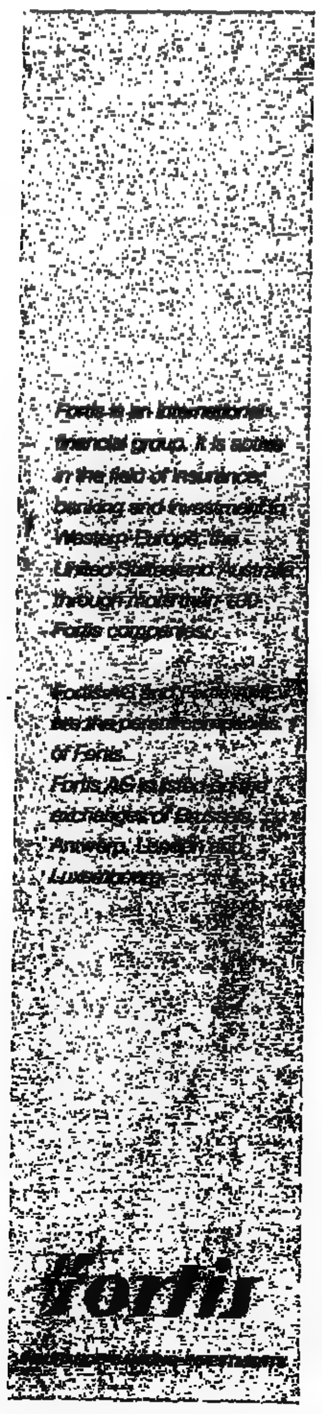
But some industry analysts in London suspect that Snecma may not remain Messier's parent for that long. A privatisation drive in France could make Messier a sell-off candidate and TI has first right of refusal.

The UK group plays down talk of takeover and applauds the engineering expertise of its French partner but admits that acquiring Messier-Dowty outright would be easy because it is already taxed as a UK company. That has enabled both TI and Snecma to avoid double taxation, a prospect which at one time threatened to scupper the deal. They did so by drawing up a complex "papillon" ownership structure, in which none of the operating arms of the company are owned wholly by the joint venture.

They are now concentrating on increasing market share. Citing Boeing figures, TI estimates the market for new civil aircraft at $1,000bn over the next 15 years.

But that depends on rising airline profitability in turn driving up aircraft orders. As competition grows those profits could come under pressure, while another conflict like the Gulf war would quickly depress demand for international travel.

Nevertheless, Mr Edwards remains optimistic. "As the industry consolidates it will not need more than two major suppliers," he predicts. "Our landing gear is already on 14,000 aircraft. We are number one and intend to stay that way."



Smith & Nephew up in difficult market

By Jenny Luesby

Smith & Nephew yesterday outperformed its competitors in the tough medical equipment market with a 6 per cent increase in first-half pre-tax profits.

Excluding exceptionals, pre-tax profits rose to £90.8m ($141.6m) in the six months to June 29, on sales up 7 per cent at £539.4m.

Mr John Robinson, chief executive, said operating margins had improved from 17 per cent to 17.5 per cent, despite tough conditions in the US healthcare market.

However, the pre-tax margin slipped to 16.8 per cent, against 17 per cent last time when it was buoyed by gains from currency arbitrage.

In the US, where sales volumes increased by 4 per cent, but prices fell by 3 per cent, the group maintained margins through cost-cutting. It expects the US market to remain tough for at least the next two years.

Brendan Corr

John Robinson (left) with his deputy, Chris O'Donnell

UK sales growth also appeared to slow down in the first half, with volumes up 4 per cent compared with 14 per cent last time. This was largely due to restructuring in medical equipment wholesaling, said Mr Robinson.

Wholesalers based in continental Europe were now responsible for a greater share of UK sales. At the same time, consolidation had led to stock reductions. The group expected UK sales growth to accelerate again in the second half.

Meanwhile, it was continuing to gain market share in all markets, said Mr Robinson.

In Europe, where sales rose by 9 per cent, once the effect of currency movements, disposals and acquisitions had been removed, the French and Spanish markets were now recovering.

In Asia, excluding Japan, sales growth accelerated to 30 per cent. The group's annual sales target for Asia is £100m by 2000, and a third of group turnover by 2010.

By product, the fastest growing businesses were wound management, casting and support, endoscopy and consumer products, all of which achieved underlying sales growth of 6 per cent.

In the first half, net debt fell by £21m, cutting gearing from 20 per cent to 14 per cent. Net cash flow rose to £14.8m (£9.8m).

Before exceptionals, earnings per share rose 6 per cent to 5.6p (5.23p).

Proteus chief moves to Cantab Pharmaceuticals

By Daniel Green

Cantab Pharmaceuticals, the Cambridge-based biotechnology company, is appointing Mr Jurek Sikorsky as chief executive.

He currently holds the same post at Manchester rival, USM-traded Proteus International.

Mr Sikorsky, whose background is in drugs marketing, replaces Mr Paul Haycock who is moving to Apax, a London venture capital group.

In the US marketing people often take over from start-up specialists as a biotech company's products near the market, but the move is unusual in the UK biotech sector.

Proteus shares fell 5p to 85p.

In stock market terms, the two companies could hardly be more different. Cantab, whose projects are on track, has been one of the best performers in the sector over the past year; Proteus, whose main products are further from the market, one of the worst.

Mr David Gration, currently non-executive chairman at Proteus, takes on the executive role until an new chief executive is recruited.

He said: "We're surprised that Jurek is doing this but he's had an attractive offer we were not in a position to match."

Cantab, he said, was "further down the track" towards commercialising its products in development.

It published a first-half net loss yesterday of £3.7m ($5.8m), against £3.54m.

In common with other companies, Cantab will make losses for several years until its drugs in research make it to the market.

The company more than quadrupled its cash balances in the month after the period end. On 8 July 1996, an equity placing to European institutional investors netted £25.7m through the issue of 4.2m new shares at 650p. Also in July, Cantab formed a collaboration with SmithKline Beecham Biologicals Manufacturing to develop and market Cantab's TA-GW vaccine for genital warts.

Kepit keeps portfolio secret

By Roger Taylor

Kleinwort European Privatisation Investment Trust is attempting to prevent details of its investment portfolio leaking to the market ahead of its likely liquidation.

Companies bidding to take over the £500m ($780m) trust to handle its break-up or restructuring are being asked to sign confidentiality agreements covering the shares it holds.

Merrill Lynch, Kepit's broker, is worried that prices for Kepit's holdings will be marked down if the information leaks to the market.

This secrecy presents problems for bidders, as they will be unable to get quotes from marketmakers for the trust's likely sell-off value. Eleven companies are competing to handle the break-up of Kepit, which became inevitable after TR European Growth launched a hostile bid. Treg is an investment trust managed by Henderson Touche Remnant.

Kleinwort Benson – Kepit's current manager – Deutsche Morgan Grenfell, and Guinness Flight have all confirmed they will put forward proposals.

Kleinwort Benson and Guinness Flight, which manages a unit trust investing in privatisations worldwide, are proposing unitising the fund. Fidelity, Fleming and five other companies are also considering a move.

Treg's offer is the only one on the table so far. It will pay cash worth 99.25 per cent of the proceeds of selling Kepit's portfolio after deducting bid costs.

The board of Kepit is concerned that TR's proposals are too expensive.

Davidson favourite for Telewest

By Raymond Snoddy

Mr Stephen Davidson, the acting chief executive of Telewest, the largest cable operation in the UK, is likely to become chief executive of the £1.5bn company.

He would be one of the few British executives at the very top of the UK cable industry, which is largely dominated by North American companies.

The vacancy has been created by the unexpected departure earlier this month of Mr Alan Michels, more than a year before the end of his three year contract.

Mr Davidson, who is 41, is at present chief financial officer of Telewest, which is controlled by TCI of Denver, the largest cable company in the US, and US West, the regional telephone company.

Telewest has put the chief executive's job out to search consultants, but Mr Davidson, who has worked for both NM Rothschild and Chemical Bank, is seen as firm favourite. With the knowledge of the Telewest board, Mr Davidson has begun recruiting a replacement as chief finance officer.

Trevor Humphries

Stephen Davidson: will put more emphasis on marketing

Mr Davidson said yesterday that he intended to place greater emphasis on marketing and promoting the message that the cable industry can provide everything from entertainment, telecommunications and data through a single pipe into the home.

The company would increase its spending on marketing by more than 75 per cent next year to £25m-£30m and further increases are expected after that.

Mr Davidson believes that Telewest and other cable companies will enter the digital market soon after British Sky Broadcasting launches its planned 200-channel service in the last quarter of 1997.

He says that two things digital can provide - near-video-on-demand for films, and top sports events on a pay-per-view basis – will "capture the public imagination".

One of the things that Mr Davidson will have to deal with if he is confirmed in his post is the move towards consolidation in the British cable industry. There have been informal soundings between Telewest and Nynex CableComms which will probably continue. But key issues of price, who would control the dominant organisation, or the tax implications, have not yet been considered in any detail.

Mr Michels, who successfully floated Telewest on the London and New York stock exchanges and took over UK cable company, SBC Cablecomms, last year, will return to the US next month.

BAA passenger volumes improve

BAA, the airports group, handled a monthly record of 9.7m passengers in July, an increase of 1.3 per cent over the same month last year, writes Geoff Dyer.

However, the group said that the threatened strike by British Airways pilots resulted in a net loss of 75,000 passengers and a 0.3 per cent drop in passengers at Heathrow, the UK's largest airport.

BAA said that without the strike and the fact that July this year contained one fewer weekend than last, the underlying growth rate would have been 3 per cent.

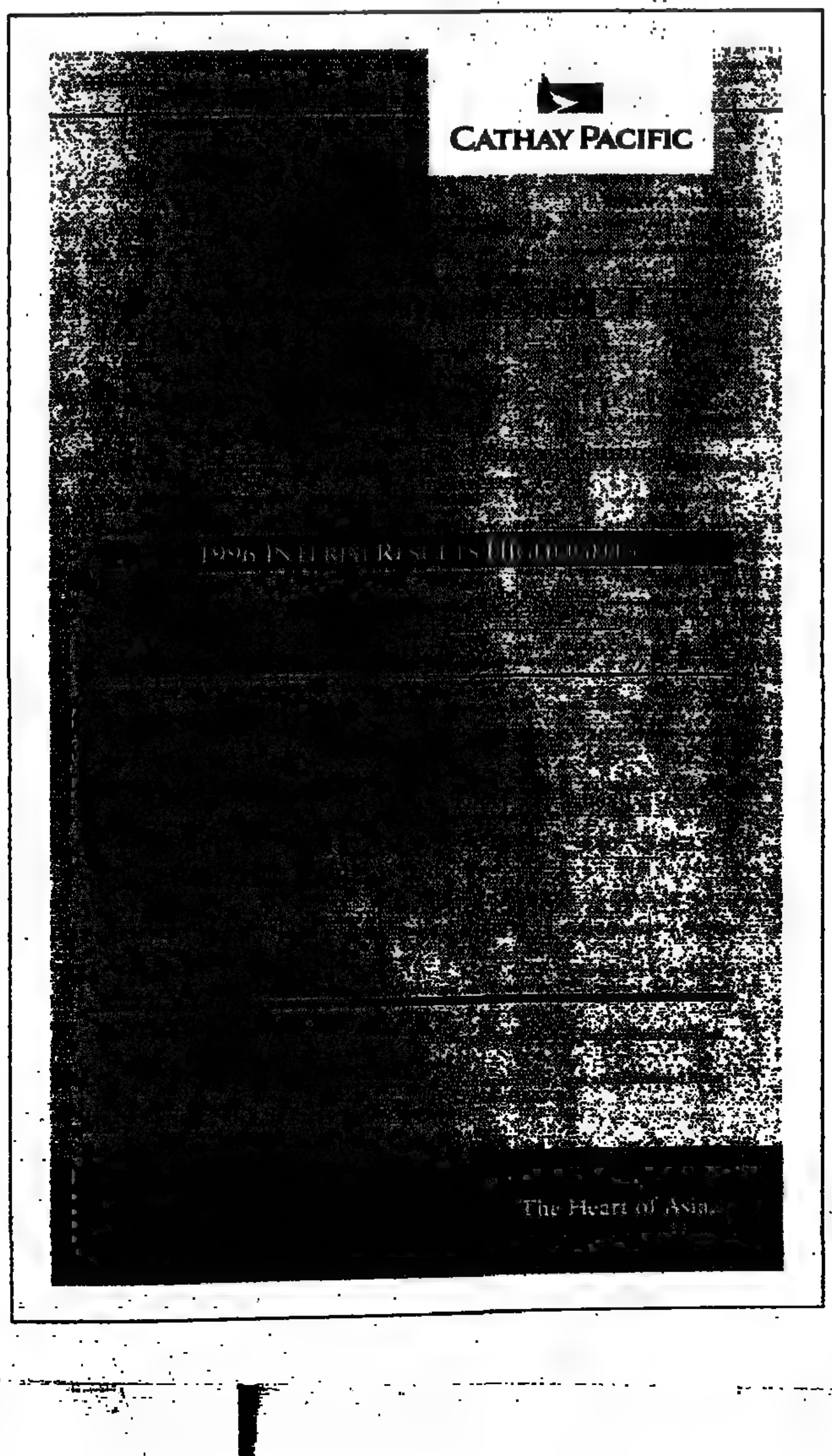
The July figures revealed a 15 per cent drop in short-haul charter traffic, which BAA said was the result of the continued weakness of the Mediterranean package holiday sector.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BPP	6 mths to June 30	35.3	(30.2)	4.56	(4.14)	10.5	(9.4)	4	Oct 31	3.6	-	11.2
Cantab Pharms	6 mths to June 30	0.025	(0.17)	3.7L	(3.54L)	34L†	(38L)	-	-	-	-	-
Enessy	6 mths to June 30	83.1	(77)	2.4	(2.1)	0.4L	(0.5L)	-	-	-	-	0.2
Henderson Admin	6 mths to June 30	18.8	(16.1)	5.32	(4.07)	16.31	(12.56)	-	-	-	-	45
London Finance	6 mths to June 30	-	(-)	0.131	(0.21)	0.4	(0.55)	-	-	-	-	0.7
London Industrial	3 mths to June 30	4.01	(3.06)	1.19	(0.9)	6	(4.6)	-	-	-	-	13
Scot	Yr to Apr 30	5.06	(5.94)	0.12♥	(0.051♥)	1.13	(1.63L)	-	-	-	-	-
Smith & Nephew	6 mths to June 29	540.4	(503)	91.9	(73.1♠)	5.68	(3.84)	2.29	Dec 11	2.16	-	5.65
WPP	6 mths to June 30	3,455	(3,077)	68.1	(46.5)	6†	(3.9)	0.556	Nov 29	0.445	-	1.31

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
US Smaller	Yr to June 30 ★	224.9	(178.1)	0.121L	(0.021L)	0.24L	(0.04L)	nil	-	0.5	nil	0.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated.



INTERNATIONAL CAPITAL MARKETS

Uncertainty over Emu haunts Europe

By Samer Iskandar in London and Lisa Bransten in New York

European bonds traded quietly yesterday, still haunted by the threat of a rise in volatility as uncertainty over European monetary union remained strong.

The weakness of the dollar pressured the currencies of Europe's high-yielding markets, while the French franc remained weak in anticipation of forthcoming budget discussions for 1997 and the risk of social unrest.

Matif's September notional future was supported by some technical trades and closed 0.02 higher at 123.44 but short-term rates did not fare as well, and the September future on three-month Pibor rates settled at 95.74, down 0.03.

Traders also warned that the notional's recovery was fragile. "We took profits and closed the short positions we had put on last week ... But we would not feel comfortable going long on the French market now," one futures trader in Paris said.

Profit-taking began when the 10-year yield spread of OATs over bunds reached 8 basis points in early trading, but technical buying made it tighten to close at 6 points, unchanged from Friday.

■ UK gilts failed to react to the release of bullish producer price data showing that underlying output price inflation in July, at 1.5 per cent year-on-year, had reached its lowest level since 1967. After rising in early trading to a high of 108$\frac{1}{32}$, Liffe's September long gilt future settled at 107[illegible], up $\frac{1}{32}$. In the cash market, the 10-year benchmark gilt was unchanged at 97[illegible].

Mr Kevin Darlington, an economist at ABN Amro Hoare Govett, believes the data make a further cut in the UK base rate increasingly likely. He said the chancellor might be tempted to ease rates as soon as September 4, the date scheduled for his next policy meeting with the Bank of England.

GOVERNMENT BONDS

Mr Darlington also said that although such a move might be beneficial to short-term interest rates, the yield curve would almost certainly steepen quite sharply, causing losses on bonds with long maturities.

■ Europe's high-yielders modestly outperformed a weak German market. Italian and Spanish 10-year yield spreads over bunds tightened by 1 and 3 basis points respectively to 324 and 265 points. But observers felt the medium-term trend was still more likely to be towards divergence.

Economists at BfP-Dresdner Bank in Paris said "interest rate divergence could intensify in accordance with the expected depreciation of European currencies [against the D-Mark]". At Julius Baer Investments in London, analysts said "currency strength favours outperformance of 10-year [bunds]".

■ US Treasury prices slipped in quiet trading early yesterday as investors awaited data later this week.

Near midday the benchmark 30-year Treasury was down $\frac{1}{8}$ at 100$\frac{5}{8}$ to yield 6.697 per cent, while at the short end of the maturity spectrum, the two-year note was unchanged at 100$\frac{5}{8}$, yielding 5.890 per cent. The September future on 30-year bonds slipped $\frac{1}{16}$ to 112[illegible].

Weakness in recent economic data has persuaded many on Wall Street that the Federal Reserve will not raise interest rates later this month, but questions remain about the course of monetary policy through to the end of the year.

Important data due this week include today's release of July consumer prices and retail sales figures and Thursday's reports on July industrial production and capacity utilisation. Economists have forecast a 0.2 percentage point increase in the CPI, a 0.4 percentage point drop in retail sales and flat industrial production. Capacity utilisation is expected to have fallen to 83 per cent from 83.2 per cent.

Swaps widen market for volatility trading

By Antonia Sharpe

Once the preserve of "rocket scientists" and mathematics professors employed by the more esoteric investment houses, volatility trading could open up to mainstream fund managers if "volatility swaps", such as one structured last month by NatWest Markets, catch on.

Volatility trading is a term for derivatives-based strategies that seek to outperform stock, bond or commodity markets, not by predicting which way they are heading, but by exploiting the impact of market fluctuations on the price of options.

Volatility is a statistical measure of the tendency of the price of a share, commodity or bond to vary over time. It is one of the most important components in pricing options and other derivatives.

During periods of severe price movements in financial markets, the volatility implied in the price of a particular option might suddenly look "expensive" compared with its historical level. Traders sell the option in the expectation that its value will fall as volatility decreases and buy if they think volatility is "cheap".

Volatility trading has been limited to a few houses because it needs to be backed up by expensive computers, which track the volatility embedded in options markets and which can forecast future volatility. It is also mainly conducted on an over-the-counter basis, which is out of bounds for the many fund managers obliged to trade only in listed products.

DERIVATIVE INSTRUMENTS

Such restrictions have impeded the more sophisticated fund manager, who increasingly regards volatility as an asset class in its own right, from accessing the market. Advocates of volatility trading say it enhances returns and offers protection against a sudden fall in financial markets.

The "volatility swap" agreed last month between Foreign & Colonial High Income Fund and NatWest Markets offers a way for such investors to trade volatility cleanly and via a recognised exchange.

Mr Mark Simmons, associate director of structured finance at NatWest Markets, says the swap, which has a notional face value of $7.7m, was based on the implied volatility in the September contract of the S&P 500 futures contract.

When the swap was taken out, the implied volatility in the contract was about 13¼ per cent, a level which F&C believed was too high, given that the historical volatility of the index was 11 per cent.

The swap enabled F&C to "sell" the volatility to NatWest Markets at 13¼ per cent in the belief that it would fall before it expired on September 19. NatWest in turn hedged its position by selling options on the September future contract.

Since swaps cannot be listed on an exchange, NatWest devised a "put" warrant structure listed in Luxembourg which allowed F&C to enter into the transaction. NatWest issued "put" warrants on the volatility of the underlying S&P contract to F&C, with the latter paying an up-front premium.

If volatility falls below 13¼ per cent, F&C will get back its premium plus a certain amount. If volatility rises above 13¼ per cent, NatWest will pay back the premium minus a certain amount.

The exercise price on the warrants corresponds to a volatility of 30 per cent, which is deep in the money. Neither party believes the volatility of the S&P will reach 30 per cent, but the strike price ensures the warrants will almost certainly have value on expiry.

Broad-based demand for Bayerische Landesbank

By Antonia Sharpe

The widely-expected $500m five-year eurobond offering from Bayerische Landesbank was the main feature of the international bond market yesterday.

The bonds were priced to yield 14 basis points over Treasuries, in line with expectations. They offered a modest pick-up over outstanding five-year eurobonds issued by other triple-A rated borrowers, such as the Council of Europe and Japan's Exim Bank, which traded yesterday at a yield spread of about 11 basis points over Treasuries.

INTERNATIONAL BONDS

Joint lead manager CSFB said it was pleasantly surprised by the sales made yesterday in the UK, Germany, the Middle East and Switzerland, adding that some represented switches by institutional investors out of old five-year eurobonds.

Other syndicate managers said the fact that the two joint leads had taken 90 per cent of the transaction suggested selling the bonds was not that easy. By late afternoon, however, the spread on the bonds was unchanged.

In light of the unexpected flurry of issuance last week, yesterday's muted start to this week came as a disappointment to syndicate managers who had hoped the level of activity would continue. Although there was still talk of more 10-year dollar deals emerging, this was countered by signs that investors were no longer seeking to extend the duration of their debt to the same extent as last week.

The other main event of yesterday was the pricing of the first pooled debt issue by seven of Germany's 16 regional states. The DM4bn 10-year domestic bond offering was priced to yield 17 basis points over bunds.

Syndicate managers reported that foreign demand for the bonds, in particular from Asia, was much stronger than expected. One bank said more than half its sales were made outside Germany.

Continued demand for high-yielding paper prompted Lithuania to raise $50m by re-opening last December's $60m debut two-year eurobond offering.

Yesterday's issue was priced to yield the fixed-rate equivalent of six-month Libor plus 225 basis points, down from more than 400 points on the original issue.

Lead manager Nomura said the tighter spread reflected the shorter duration of the bonds and the improved credit situation in Lithuania. When the original issue was launched, the country was in the throes of a banking crisis.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Bayerische Landesbank	500	6.375	99.68R	Aug 2001	0.25R	+14(6⅝%-01)	CSFB/JP Morgan Secs
Spintab‡	200	(a,s)	100.025	May 1998	0.075	-	Salomon Brothers Intl
Republic of Lithuania(b)	50	10.00	101.91	Dec 1997	0.375	-	Nomura International
■ SWISS FRANCS							
City of Vienna✦	110	[illegible]	101.75	Oct 1999	1.25	-	Von Ernst/SBC Warburg
■ LUXEMBOURG FRANCS							
International Finance Corp	2bn	(c)	102.75	Oct 2005	1.875	-	BGL/Kredietbank Lux
■ AUSTRALIAN DOLLARS							
SBAB✦	130	8.80#	98.85	Sep 1999	0.20	-	Yamaichi Intl (Europe)

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ✦Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Fungible with $60m. Plus 243 days accrued. Long last coupon. c) 6% to 9/10/00, then 7% to 9/10/03 and 8¼% thereafter. s) Short 1st coupon.

Deutsche Börse to use Internet

By John Diudiu

The Deutsche Börse is to offer clients access to banking services on the Internet. DGW, the Börse's banking services division, is to launch the service, developed at a cost of about DM1m, in December

It would make Internet pages available to firms, enabling their customers to query securities accounts and place orders for securities transactions. The orders would be routed electronically to the depositary and then to the exchange.

The Deutsche Börse said the price for the service had not yet been determined. "Investors may not only check the status of their account but also receive statistics and graphic presentations to support their decision to buy or sell," it said.

The exchange said the service would supply banks with support for on-line banking and would combine existing safety standards for securities transactions with the information capabilities of the World Wide Web.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.5200	+0.600	8.09	8.06	8.79
Austria		6.250	05/06	95.9000	-0.070	6.30	6.32	6.52
Belgium		7.000	05/06	102.5800	-	6.63	6.63	6.78
Canada *		7.000	12/06	98.3400	+0.060	7.23	7.27	7.71
Denmark		8.000	03/06	105.0200	- -	7.24	7.26	7.40
France	BTAN	5.750	03/01	101.1100	-0.010	5.46	5.40	5.58
	OAT	7.250	04/06	106.3800	-0.110	6.36	6.31	6.49
Germany Bund		6.250	04/06	99.6700	-0.120	6.29	6.29	6.51
Ireland		8.000	08/06	102.7300	-0.050	7.60	7.53	7.65
Italy		9.500	02/06	101.0400	-0.080	9.33†	9.15	9.21
Japan	No 140	6.600	06/01	119.4135	+0.100	2.17	2.30	2.24
	No 182	3.000	09/05	98.6962	+0.070	3.18	3.28	3.20
Netherlands		8.500	06/06	115.8700	-0.210	6.27	6.27	6.44
Portugal		11.875	02/05	118.5100	+0.100	8.69	8.62	8.76
Spain		8.800	04/06	99.9800	+0.080	8.94	8.72	8.80
Sweden		6.000	02/05	88.6552	+0.060	8.24	8.18	8.19
UK Gilts		8.000	12/00	103-13	+1/32	7.06	7.02	7.21
		7.500	12/06	97-30	-	7.79	7.76	7.92
		9.000	10/08	108-13	-1/32	7.91	7.89	8.02
US Treasury *		7.000	07/06	103-22	+2/32	6.45	6.49	6.73
		6.750	08/26	100-20	-	6.70	6.76	6.91
ECU (French Govt)		7.500	04/05	104.3700	-0.130	6.81	6.74	6.90

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.91
Prime rate	8¼	Two month	-	Three year	6.09
Broker loan rate	7	Three month	5.15	Five year	6.24
Fed funds	5¼	Six month	5.31	10-year	6.50
Fed.funds at intervention	-	One year	5.55	30-year	6.71

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.56	123.44	+0.02	123.56	123.34	35,724	187,258
Dec	122.22	122.16	+0.04	122.26	122.12	1,322	37,117
Mar	122.02	121.98	+0.06	122.02	121.94	102	6,388

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
120	-	-	-	-	-	-
121	-	-	-	-	0.34	-
122	1.49	0.81	1.29	0.08	0.65	1.14
123	-	0.34	-	0.24	-	-
124	0.18	-	-	0.71	-	-

Est. vol. total, Calls 2,672 Puts 6,536. Previous day's open int., Calls 134,846 Puts 140,676.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.98	97.76	-0.10	98.05	97.73	77284	240570
Dec	97.19	96.99	-0.10	97.18	96.92	2625	13851

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9750	0.42	0.35	0.55	0.74	0.16	0.98	1.16	1.35
9800	0.16	0.20	0.36	0.56	0.40	1.31	1.49	1.67
9850	0.05	0.11	0.25	0.41	0.79	1.72	1.86	2.02

Est. vol. total, Calls 6821 Puts 6037. Previous day's open int., Calls 162403 Puts 181418

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.78	115.76	-	115.98	115.50	28357	65154
Dec	115.00	115.14	-0.01	115.20	115.00	105	5229

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11550	0.65	1.60	0.57	1.96
11600	0.39	1.36	0.81	2.22
11650	0.22	1.16	0.94	2.52

Est. vol. total, Calls 6062 Puts 15716. Previous day's open int., Calls 69122 Puts 91324

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.13	100.21	+0.11	100.33	99.85	42,102	50,437
Dec	99.47	99.67	+0.18	99.83	99.47	556	513

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-00	107-30	+0-01	108-03	107-26	22390	152141
Dec	107-09	107-06	+0-02	107-11	107-03	354	1393

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
107	1-05	1-00	1-20	1-37	0-09	0-52	1-08	1-25
108	0-24	0-34	0-54	1-07	0-28	1-22	1-42	1-59
109	0-07	0-16	0-32	0-47	1-11	2-04	2-20	2-36

Est. vol. total, Calls 3704 Puts 4190. Previous day's open int., Calls 30966 Puts 25811

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.02	91.88	-0.08	92.04	91.78	929	8,461
Dec	90.08	90.08	-0.08	90.08	90.08	50	887

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112-05	111-28	-0-06	112-09	111-26	281,651	450,368
Dec	111-20	111-11	-0-07	111-24	111-11	3,046	26,738
Mar	111-04	111-05	-	111-04	111-01	368	4,060

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	120.25	-	-	120.36	120.25	3001	n/a
Dec	118.98	-	-	119.07	118.98	1990	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Aug 12	Day's change %	Fri Aug 9	Accrued interest	xd adj. ytd		Low coupon yield Aug 12	Aug 9	Yr. ago	Medium coupon yield Aug 12	Aug 9	Yr. ago	High coupon yield Aug 12	Aug 9	Yr. ago
1 Up to 5 years (22)	122.14	0.02	122.40	2.59	5.84	5 yrs	7.19	7.19	7.89	7.26	7.24	7.89	7.33	7.32	8.02
2 5-15 years (20)	148.23	-0.03	148.27	2.92	6.39	15 yrs	8.02	8.02	8.30	8.02	8.02	8.34	8.10	8.11	8.42
3 Over 15 years (8)	162.82	0.02	162.78	3.22	7.40	20 yrs	8.11	8.13	8.32	8.11	8.11	8.36	8.18	8.19	8.43
4 Irredeemables (6)	186.08	0.69	184.81	2.93	7.36	Irred.†	8.16	8.22	8.36						
5 All stocks (56)	143.03	0.00	143.11	2.89	6.42										

Index-linked							Inflation 5% Aug 12	Aug 9	Yr. ago	Inflation 10% Aug 12	Aug 9	Yr. ago
6 Up to 5 years (1)	199.54	0.02	199.51	2.64	4.45	Up to 5 yrs	2.54	2.54	3.37	1.02	1.01	1.73
7 Over 5 years (11)	189.31	0.04	189.23	1.12	5.11	Over 5 yrs	3.72	3.72	3.82	3.52	3.52	3.45
8 All stocks (12)	189.41	0.04	189.33	1.15	5.13							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6	Yr ago	High*	Low*
Govt. Secs. (UK)	93.46	93.18	93.24	93.50	93.39	92.66	96.34	91.59
Fixed Interest	113.66	113.29	113.22	113.22	113.26	111.94	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5
Gilt Edged bargains	78.0	73.4	77.0	80.2	74.4
5-day average	76.6	79.8	81.1	82.5	83.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 12

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅝	98¾	+⅛	6.78
ABN Amro Bank 7¼ 05	1000	101⅛	101½	+⅛	7.18
African Dev Bk 7⅝ 23	500	98¾	99⅛		7.45
Alberta Province 7⅜ 98	1000	102⅞	103⅛		6.19
Asian Dev Bank 6¼ 05	750	96⅝	97	+⅛	6.84
[illegible]					
Sweden 8 97	2500	105	105⅛		3.74
United Kingdom 7¼ 97	5500	104	104⅛		3.67
Volkswagen Intl Fin 7 03	1000	103⅝	104⅛	-⅛	6.28
World Bank 0 15	2000	31⅞	32⅛		6.09
World Bank 5⅞ 03	3000	98¾	98⅞	-⅛	5.91
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	101⅛		7.81
British Land 8⅞ 23 £	150	91⅛	91⅝	+⅛	10.02
Denmark 6¾ 98 £	800	100¼	100⅜		[illegible]
Depfa Finance 7⅛ 03 £	[illegible]	95¾	96		7.91
EIB 8 03 £	1000	101⅛	101⅞		7.65
Glaxo Wellcome 8¾ 05 £	500	102⅝	102⅞		[illegible]
[illegible]					

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Markets steady as rumours are laid to rest

By Richard Adams

The Bundesbank's leading officials yesterday took advantage of a quiet trading day to play down expectations of a looming cut in the repo rate and possible delays in the timetable for European monetary union.

The comments from Mr Hans Tietmeyer, the Bundesbank president, and Mr Otmar Issing, its chief economist, came in the wake of falls by peripheral European currencies, and a strengthening of the D-Mark and the Swiss franc, late last week.

Mr Tietmeyer said he expected economic and monetary union to start in 1999 as planned. Mr Issing played down pressure for a cut in German interest rates, saying the German economy was proving stronger in the second quarter than markets predicted.

The D-Mark was steady all day, ending slightly up against the US dollar in London at DM1.4753, from DM1.4784, and at Y72.91 from Y73.1297.

The dollar lost ground against the yen, falling below the key support level of Y107.70 during afternoon trading in Europe. It fell to Y107.575 by the close, from Friday's Y108.115. But dealers saw few reasons why the dollar should break from recent ranges. The dollar ended in London at $1.5519 to the pound, from $1.5495. It was down against the Swiss Franc, closing at SFr1.1998, from SFr1.2038 on Friday.

Despite a busy schedule of US economic figures this week, starting with the July retail sales and consumer price index data today, the dollar is not expected to move much ahead of next week's Federal Open Market Committee (FOMC) on August 20 and the next Bundesbank council meeting on August 22.

■ Mr Tietmeyer's comments came in the wake of the French franc's fall late last week, triggered by rumours of a policy rift between the French president and Mr Jean-Claude Trichet, head of the Bank of France, and suggestions of a delay in the start of monetary union.

"I expect that the currency union will start in 1999, even though there are still significant preparations to complete," Mr Tietmeyer told the German daily Handelsblatt.

Mr Tietmeyer said it would be "inappropriate" for him to take part in any discussions about a possible delay to economic and monetary union, given that Germany and France "are making very serious efforts to fulfil the criteria for the EMU start."

Mr Issing disputed calls for an immediate cut in the German repo rate to aid the economy.

"According to the data currently available, Germany will see more favourable growth in the second quarter than generally expected," Mr Issing said in an interview with Die Welt newspaper.

Mr Issing said a cut in leading interest rates would not provide a solution to Germany's problems, which he said were structural rather than monetary. "If morale in Germany hinges on the Bundesbank cutting the repo rate by 10 or 20 basis points, then things are pretty dire," Mr Issing said.

■ The Canadian dollar responded positively to Friday's decision by the Bank of Canada to cut its bank rate by 25 basis points, to 4.5 per cent from 4.75 per cent. At close of trading in London yesterday it had fallen only marginally against the dollar to C$1.3713 from C$1.3723. The cut followed the release of weak Canadian unemployment figures. The bank said the reduction was in line with its 1-3 per cent inflation target.

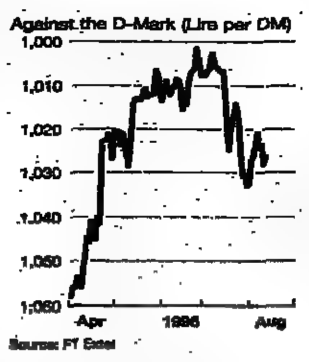
But some analysts say the Bank of Canada could cut rates again, for the seventh time this year, if inflation data on Friday proves to be weaker than expected.

"There still seems to be a view in the market that there is further easing potential - that the general malaise in the economy may warrant further easing," one analyst said.

But analysts at BZW in London think the Canadian dollar should stay strong in the months to come: "The improvement in fundamentals in Canada suggests that if there is going to be a big move in the Canadian dollar it is more likely to be a strengthening."

Lira

Against the D-Mark (Lira per DM)



Source: FT Extel

■ **Pound in New York**

Aug 12	Latest	Prev. close
£ spot	1.5505	1.5505
1 mth	1.5489	1.5499
3 mth	1.5492	1.5492
1 yr	1.5470	1.5468

■ **OTHER CURRENCIES**

Aug 12	£	$
Czech	41.3731 - 41.[illegible]	26.[illegible] - 26.[illegible]
Hungary	232.648 - 232.875	149.960 - 150.010
Iran	4657.20 - 4654.20	3000.00 - 3000.00
Kuwait	0.4642 - 0.4646	0.2992 - 0.2993
Poland	4.2175 - 4.2280	2.7185 - 2.7235
Russia	[illegible]	[illegible]
U.A.E.	5.6978 - 5.7023	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1101	-0.008	010 - 192	16.1441	16.0873	16.0788	2.3	16.0038	2.6	-	-	105.5
Belgium	(BFr)	47.2089	-0.0152	626 - 551	47.2960	47.1340	47.1139	2.4	46.9239	2.4	46.1339	2.3	107.5
Denmark	(DKr)	8.8583	-0.0049	531 - 634	8.8637	8.8438	8.8445	1.9	8.8242	1.5	8.7164	1.6	105.3
Finland	(FM)	6.8952	+0.0006	871 - 032	6.9050	6.8820	6.8908	0.8	6.8827	0.7	-	-	88.1
France	(FFr)	7.8340	+0.0028	307 - 373	7.8404	7.8214	7.8217	1.9	7.799	1.8	7.7056	1.6	109.1
Germany	(DM)	2.2895	-0.0012	883 - 907	2.2916	2.2855	2.2851	2.3	2.278	2.4	2.2372	2.3	109.7
Greece	(Dr)	366.373	-0.192	177 - 568	367.460	365.806	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9621	-0.0005	614 - 627	0.9635	0.9610	0.9618	0.6	0.9604	0.7	0.9559	0.6	99.4
Italy	(L)	2351.90	-3.65	022 - 359	2358.41	2348.77	2357.45	-2.8	2367.3	-2.6	2399.8	-2.0	76.1
Luxembourg	(LFr)	47.2089	-0.0152	626 - 551	47.2960	47.1340	47.1139	2.4	46.9239	2.4	46.1339	2.3	107.5
Netherlands	(Fl)	2.5693	-0.0018	680 - 706	2.5707	2.5635	2.5632	2.8	2.5513	2.8	2.5035	2.6	107.7
Norway	(NKr)	9.9253	+0.0154	162 - 343	9.9345	9.8886	9.9168	1.0	9.8998	1.0	9.8163	1.1	98.7
Portugal	(Es)	235.540	-0.124	378 - 701	236.884	235.272	235.965	-2.2	236.87	-2.3	-	-	95.7
Spain	(Pta)	195.105	-	964 - 245	195.245	194.806	195.366	-1.6	195.88	-1.6	197.28	-1.1	80.4
Sweden	(SKr)	10.3272	+0.0182	166 - 378	10.3378	10.2891	10.3275	0.0	10.3278	0.0	10.3255	0.0	88.2
Switzerland	(SFr)	1.8620	-0.0033	606 - 633	1.8661	1.8586	1.857	3.2	1.8482	3.4	1.796	3.4	113.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.6
Ecu	-	1.2208	-0.0005	201 - 214	1.2220	1.2187	1.2195	1.3	1.2166	1.4	1.2032	1.4	-
SDR†	-	1.062800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5496	+0.0024	491 - 504	1.5518	1.5488	-	-	-	-	-	-	-
Brazil	(R$)	1.5700	+0.0026	692 - 707	1.5752	1.5679	-	-	-	-	-	-	-
Canada	(C$)	2.1281	+0.0018	270 - 291	2.1291	2.1243	2.1274	0.4	2.1237	0.8	2.1157	0.6	83.8
Mexico	(New Peso)	11.6587	+0.0072	510 - 663	11.6713	11.6510	-	-	-	-	-	-	-
USA	($)	1.5519	+0.0024	514 - 524	1.5525	1.5486	1.5513	0.5	1.5506	0.3	1.5514	0.0	95.9
Pacific/Middle East/Africa													
Australia	(A$)	1.9967	+0.0067	954 - 979	1.9979	1.9896	1.9992	-1.5	2.0043	-1.5	2.0285	-1.6	91.0
Hong Kong	(HK$)	12.0055	+0.0158	009 - 101	12.0103	11.9877	11.9974	0.8	11.9858	0.7	11.966	0.3	-
India	(Rs)	55.2478	-0.0604	196 - 759	55.5759	54.9186	-	-	-	-	-	-	-
Israel	(Shk)	4.8712	+0.0013	649 - 775	4.8775	4.8649	-	-	-	-	-	-	-
Japan	(Y)	166.946	-0.578	838 - 054	167.930	165.838	166.221	5.2	164.731	5.3	158.316	5.2	134.7
Malaysia	(M$)	3.8681	+0.0086	661 - 701	3.8701	3.8621	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2608	+0.0094	589 - 626	2.2626	2.2541	2.2658	-2.7	2.2753	-2.6	2.3091	-2.1	107.4
Philippines	(Peso)	40.6521	+0.0629	846 - 195	40.7105	40.5846	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8206	+0.0085	184 - 227	5.8227	5.8117	-	-	-	-	-	-	-
Singapore	(S$)	2.1949	+0.0011	934 - 963	2.1968	2.1918	-	-	-	-	-	-	-
South Africa	(R)	7.0503	+0.0225	457 - 549	7.0549	7.0065	-	-	-	-	-	-	-
South Korea	(Won)	1264.33	+2.34	377 - 490	1264.90	1262.53	-	-	-	-	-	-	-
Taiwan	(T$)	42.6773	+0.1203	557 - 988	42.6805	42.6112	-	-	-	-	-	-	-
Thailand	(Bt)	39.2321	+0.0197	039 - 602	39.2602	39.1870	-	-	-	-	-	-	-

† Rates for Aug 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3809	-0.0213	784 - 834	10.4065	10.3650	10.3614	2.3	10.3194	2.4	10.1359	2.4	105.8
Belgium	(BFr)	30.4200	-0.057	000 - 400	30.4900	30.3680	30.365	2.2	30.25	2.2	29.71	2.3	107.1
Denmark	(DKr)	5.7080	-0.012	065 - 095	5.7140	5.6985	5.7005	1.6	5.6835	1.7	5.6145	1.6	107.5
Finland	(FM)	4.4431	-0.0065	393 - 469	4.4536	4.4357	4.4366	1.8	4.4248	1.7	4.3791	1.4	85.2
France	(FFr)	5.0480	-0.006	475 - 485	5.0516	5.0385	5.0411	1.7	5.0268	1.7	4.959	1.8	108.7
Germany	(DM)	1.4753	-0.0031	750 - 756	1.4769	1.4730	1.4728	2.0	1.467	2.2	1.4388	2.5	109.1
Greece	(Dr)	236.080	-0.49	030 - 130	237.010	235.700	237.755	-8.5	241.105	-8.5	255.08	-8.0	66.6
Ireland	(I£)	1.6131	+0.0034	125 - 137	1.6145	1.6098	1.6137	-0.4	1.6145	-0.4	1.606	0.4	-
Italy	(L)	1515.50	-4.7	490 - 610	1519.25	1513.84	1520.25	-3.8	1528.4	-3.4	1551.15	-2.4	75.5
Luxembourg	(LFr)	30.4200	-0.057	000 - 400	30.4900	30.3680	30.367	2.1	30.2605	2.1	29.78	2.1	107.1
Netherlands	(Fl)	1.6556	-0.0037	553 - 559	1.6570	1.6515	1.6522	2.4	1.6451	2.5	1.6134	2.6	107.1
Norway	(NKr)	6.3956	-	916 - 993	6.3995	6.3715	6.3926	0.6	6.3871	0.5	6.3506	0.7	98.1
Portugal	(Es)	151.775	-0.315	720 - 830	152.700	151.650	152.09	-2.5	152.69	-2.4	154.825	-2.0	95.7
Spain	(Pta)	125.720	-0.195	670 - 770	125.850	125.550	125.97	-2.4	126.4	-2.2	127.94	-1.8	80.2
Sweden	(SKr)	6.6546	+0.0015	500 - 591	6.6600	6.6325	6.6537	0.2	6.6561	-0.1	6.6311	0.4	87.8
Switzerland	(SFr)	1.1998	-0.004	993 - 003	1.2028	1.1980	1.1963	3.5	1.1896	3.7	1.1553	3.7	112.5
UK	(£)	1.5519	+0.0024	514 - 524	1.5525	1.5486	1.5513	0.5	1.5506	0.3	1.5514	0.0	84.2
Ecu	-	1.2713	+0.0025	710 - 715	1.2750	1.2709	1.2721	-0.7	1.2737	-0.8	1.2826	-0.9	-
SDR†	-	0.68530	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9999	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0117	-0.0001	115 - 118	1.0160	1.0115	-	-	-	-	-	-	-
Canada	(C$)	1.3713	-0.001	710 - 715	1.3719	1.3687	1.3711	0.1	1.3714	0.0	1.3742	-0.2	83.0
Mexico	(New Peso)	7.5125	-0.007	100 - 150	7.5150	7.5100	7.674	-25.8	7.859	-18.4	9.6225	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2865	+0.0023	862 - 870	1.2870	1.2862	1.2885	-1.9	1.292	-1.7	1.3107	-1.9	92.8
Hong Kong	(HK$)	7.7360	-0.0018	355 - 365	7.7375	7.7340	7.7367	-0.1	7.7385	-0.1	7.7656	-0.4	-
India	(Rs)	35.6000	-0.1	000 - 000	35.8000	35.4000	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1389	-0.004	358 - 419	3.1420	3.1358	-	-	-	-	-	-	-
Japan	(Y)	107.575	-0.54	540 - 610	108.260	107.540	107.13	5.0	106.23	5.0	102.49	4.7	134.5
Malaysia	(M$)	2.4925	+0.0017	920 - 930	2.4930	2.4909	2.4934	-0.4	2.4995	-1.1	2.523	-1.2	-
New Zealand	(NZ$)	1.4567	+0.0036	560 - 575	1.4547	1.4560	1.4598	-2.6	1.4658	-2.4	1.4902	-2.3	-
Philippines	(Peso)	26.1950	-	600 - 300	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0004	504 - 508	3.7508	3.7504	3.751	-0.1	3.7517	-0.1	3.7561	-0.1	-
Singapore	(S$)	1.4143	-0.0015	138 - 148	1.4155	1.4138	1.4107	3.0	1.4047	2.7	1.3793	2.5	-
South Africa	(R)	4.5430	+0.0075	415 - 445	4.5450	4.5180	4.5905	-12.5	4.6805	-12.1	5.018	-10.5	-
South Korea	(Won)	814.700	+0.25	600 - 800	815.000	814.200	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	+0.035	950 - 050	27.5050	27.4850	27.505	-0.2	27.51	-0.1	-	-	-
Thailand	(Bt)	25.2800	-0.0265	700 - 900	25.2920	25.2700	25.3788	-4.7	25.5825	-4.8	26.465	-4.7	-

† SDR rate per $ for Aug 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 9: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3⅜	3⅜	3[illegible]	3[illegible]	7.00	2.50	-
week ago	3¼	3⅜	3⅜	3[illegible]	3[illegible]	7.00	2.50	-
France	3[illegible]	3[illegible]	4[illegible]	4[illegible]	4[illegible]	3.55	-	4.75
week ago	3⅜	[illegible]	3[illegible]	3[illegible]	4	3.55	-	4.75
Germany	3½	3⅜	3[illegible]	3[illegible]	3[illegible]	4.50	2.50	3.30
week ago	3¼	3[illegible]	[illegible]	3[illegible]	3[illegible]	4.50	2.50	3.30
Ireland	5[illegible]	5[illegible]	5⅝	5⅝	6[illegible]	-	-	6.25
week ago	5⅜	5[illegible]	5[illegible]	5[illegible]	5⅝	-	-	6.25
Italy	9¼	[illegible]	8[illegible]	8[illegible]	8[illegible]	-	8.25	9.03
week ago	8[illegible]	[illegible]	8[illegible]	8[illegible]	8[illegible]	-	8.25	8.55
Netherlands	2⅝	2[illegible]	[illegible]	3[illegible]	3[illegible]	-	3.00	3.30
week ago	2[illegible]	2[illegible]	3[illegible]	3[illegible]	3[illegible]	-	3.00	3.30
Switzerland	1[illegible]	2[illegible]	2[illegible]	2[illegible]	2[illegible]	5.00	1.50	-
week ago	1[illegible]	2[illegible]	2[illegible]	[illegible]	2[illegible]	5.00	1.50	-
US	5¼	5¼	5[illegible]	5⅝	5[illegible]	-	5.00	-
week ago	5⅜	5¼	5[illegible]	5[illegible]	5[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	1[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5½	5[illegible]	5[illegible]	-	-	-
week ago	-	5[illegible]	5[illegible]	5[illegible]	5[illegible]	-	-	-
US Dollar CDs	-	5.12	5.17	5.24	5.45	-	-	-
week ago	-	5.12	5.24	5.31	5.40	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4[illegible]	4[illegible]	-	-	-
week ago	-	4[illegible]	4[illegible]	4[illegible]	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	3[illegible]	-	-	-
week ago	-	3¼	3[illegible]	3[illegible]	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	7½ - [illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	7½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Swiss Franc	2 - 1[illegible]	2[illegible] - 2	[illegible]	[illegible]	2½ - [illegible]	[illegible] - 2½
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	4½ - [illegible]	[illegible]
US Dollar	5¼ - [illegible]	[illegible]	[illegible]	5½ - [illegible]	[illegible] - 5½	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.71	95.74	+0.03	95.78	95.70	30,745	51,350
Dec	95.76	95.78	+0.01	95.81	95.81	12,648	48,409
Mar	95.74	95.75	-0.01	95.80	95.73	5,310	31,733

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.70	96.68	-0.01	96.71	96.67	11728	170091
Dec	96.67	96.63	-0.03	96.68	96.62	16668	235266
Mar	96.48	96.43	-0.04	96.48	96.43	11787	192123
Jun	96.18	96.15	-0.03	96.19	96.15	6628	130021

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.25	91.28	+0.03	91.33	91.22	9343	56366
Dec	91.74	91.77	+0.02	91.79	91.71	10237	45983
Mar	92.04	92.04	+0.02	92.05	91.99	1905	24130
Jun	92.10	92.11	+0.01	92.12	92.06	909	15082

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.74	97.69	-0.05	97.77	97.66	5456	31074
Dec	97.66	97.59	-0.06	97.67	97.56	4837	28185
Mar	97.45	97.39	-0.06	97.46	97.39	606	10924
Jun	97.17	97.12	-0.05	97.17	97.12	187	3561

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.26	99.28	+0.02	99.28	99.28	50	n/a
Dec	99.06	99.06	+0.03	99.07	99.06	200	n/a
Mar	-	98.83	+0.07	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.49	95.48	-0.01	95.49	95.45	741	9387
Dec	95.49	95.49	-0.01	95.50	95.48	526	5104
Mar	95.41	95.41	-0.01	95.41	95.40	90	3114
Jun	95.25	95.25	-0.01	95.25	95.25	95	2865

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.59	4.849	2.038	4980	5.442	21.02	498.9	413.3	21.88	3.944	2.118	4.508	3.287	353.5	2.586
Denmark	(DKr)	53.30	10	8.844	2.584	1.085	2654	2.900	11.20	265.9	220.3	11.66	2.102	1.129	2.402	1.752	188.4	1.378
France	(FFr)	60.26	11.31	10	2.922	1.228	3001	3.279	12.67	300.6	249.0	13.19	2.377	1.276	2.716	1.981	213.0	1.559
Germany	(DM)	20.62	3.870	3.422	1	0.420	1027	1.122	4.336	102.9	85.23	4.513	0.813	0.437	0.930	0.678	72.91	0.533
Ireland	(I£)	49.07	9.208	8.143	2.379	1	2444	2.670	10.32	244.8	202.8	10.74	1.936	1.040	2.212	1.613	173.5	1.269
Italy	(L)	2.008	0.377	0.333	0.097	0.041	100.	0.109	0.422	10.02	8.299	0.439	0.079	0.043	0.091	0.066	7.099	0.052
Netherlands	(Fl)	18.38	3.448	3.049	0.891	0.374	915.1	1	3.863	91.67	75.94	4.021	0.725	0.389	0.828	0.604	64.97	0.475
Norway	(NKr)	47.57	8.925	7.893	2.306	0.969	2369	2.588	10	237.3	196.6	10.41	1.876	1.008	2.144	1.564	168.2	1.230
Portugal	(Es)	20.05	3.761	3.327	0.972	0.408	998.3	1.091	4.214	100.	82.85	4.386	0.791	0.425	0.904	0.659	70.87	0.518
Spain	(Pta)	24.20	4.540	4.015	1.173	0.493	1205	1.317	5.087	120.7	100.	5.295	0.954	0.513	1.091	0.795	85.55	0.626
Sweden	(SKr)	45.70	8.575	7.584	2.216	0.931	2276	2.487	9.608	228.0	188.9	10	1.803	0.968	2.060	1.502	161.6	1.182
Switzerland	(SFr)	25.35	4.757	4.207	1.229	0.517	1263	1.380	5.330	126.5	104.8	5.549	1	0.537	1.143	0.834	89.63	0.656
UK	(£)	47.21	8.858	7.834	2.289	0.962	2351	2.569	9.925	235.5	195.1	10.33	1.862	1	2.128	1.552	166.9	1.221
Canada	(C$)	22.19	4.163	3.681	1.076	0.452	1105	1.207	4.664	110.7	91.68	4.854	0.875	0.470	1	0.729	78.43	0.574
US	($)	30.42	5.707	5.048	1.475	0.620	1515	1.655	6.395	151.7	125.7	6.656	1.200	0.644	1.371	1	107.5	0.787
Japan	(Y)	28.29	5.307	4.694	1.371	0.576	1409	1.539	5.947	141.1	116.9	6.189	1.116	0.599	1.275	0.930	100.	0.732
Ecu		38.67	7.256	6.416	1.875	0.788	1925	2.104	8.129	192.9	159.8	8.460	1.525	0.819	1.743	1.271	136.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6790	0.6792	+0.0013	0.6794	0.6788	14,256	70,508
Dec	0.6820	0.6829	+0.0012	0.6830	0.6828	52	3,251
Mar	-	0.6833	-	-	-	21	833

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9296	0.9335	+0.0050	0.9333	0.9317	7,563	64,639
Dec	0.9410	0.9449	+0.0051	0.9449	0.9432	175	5,106
Mar	-	0.9526	-	-	-	2	131

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8319	0.8358	+0.0027	0.8367	0.8348	8,381	36,278
Dec	0.8415	0.8426	+0.0028	0.8426	0.8415	111	2,321
Mar	-	0.8490	+0.0021	0.8490	-	1	102

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5520	1.5506	+0.0014	1.5510	1.5486	5,697	45,376
Dec	1.5498	1.5490	+0.0008	1.5496	1.5480	33	1,264
Mar	-	1.5500	+0.0018	1.5510	-	3	9

UK INTEREST RATES

LONDON MONEY RATES

Aug 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6[illegible] - 6[illegible]
Sterling CDs	-	-	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6 - 5[illegible]
Treasury Bills	-	-	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	-	-
Bank Bills	-	-	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	-
Local authority deps.	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6[illegible] - 5[illegible]
Discount Market deps	5¾ - 5½	5¾ - 5[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Aug 9, 5.5600pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.19pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.18	94.18	+0.01	94.19	94.16	4859	73283
Dec	94.08	94.10	+0.02	94.11	94.07	10936	103401
Mar	93.87	93.88	+0.02	93.90	93.85	5890	72753
Jun	93.55	93.55	+0.02	93.56	93.52	3113	47973
Sep	93.18	93.17	-0.01	93.19	93.15	1265	32155

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9400	0.19	0.23	0.24	0.01	0.13	0.36
9425	0.03	0.10	0.14	0.10	0.25	0.51
9450	0	0.03	0.08	0.32	0.43	0.70

Est. vol. total, Calls 1435 Puts 688. Previous day's open int., Calls 143001 Puts 131090

EMS EUROPEAN CURRENCY UNIT RATES

Aug 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13157	-0.00141	-0.96	2.40	7
Belgium	39.3960	39.1548	-0.0239	-0.61	2.04	4
Germany	1.91007	1.89937	-0.00129	-0.56	1.99	6
Austria	13.4383	13.3644	-0.0096	-0.55	1.98	4
Spain	162.493	161.842	+0.018	-0.40	1.83	3
Portugal	195.792	195.417	-0.12	-0.19	1.61	1
Ireland	0.792214	0.798560	-0.001098	0.80	0.61	-5
Denmark	7.28580	7.34856	-0.00431	0.86	0.55	-6
France	6.40608	6.49696	+0.00195	1.42	0.00	-12
NON ERM MEMBERS						
Greece	292.867	303.989	+0.011	3.80	-2.29	-
Italy	2106.15	1951.71	+0.78	-7.33	9.44	-
UK	0.786652	0.830096	+0.001986	5.52	-3.89	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.530	1.93	2.18	2.51	0.02	0.25	0.58
1.540	1.04	1.46	1.81	0.02	0.53	0.92
1.550	0.37	0.89	1.27	0.35	0.97	1.37
1.560	0.09	0.46	0.85	1.07	1.57	1.95
1.570	0.01	0.23	0.53	-	2.30	-

Previous day's vol., Calls 2,163 Puts 4,489. Prev. day's open int., Calls 168,220 Puts 153,669

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.44	94.45	+0.01	94.46	94.44	50,123	384,733
Dec	94.25	94.26	+0.02	94.28	94.24	74,626	455,063
Mar	94.76	94.16	+0.01	94.18	94.15	75,028	291,426

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.93	-	94.95	94.93	311	7,586
Dec	94.86	94.87	+0.00	94.87	94.86	223	1,715
Mar	94.76	94.76	+0.04	94.76	94.76	24	621

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9650	0.19	0.20	0.19	0.23	0.01	0.02	0.05	0.10
9675	0.01	0.04	0.06	0.09	0.08	0.11	0.16	0.21
9700	0	0.01	0.01	0.03	0.32	0.33	0.38	0.40

Est. vol. total, Calls 2520 Puts 700. Previous day's open int., Calls 352748 Puts 308147

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9775	0.05	0.12	0.13	0.11	0.28	0.49
9800	0.02	0.05	0.07	0.33	0.47	0.68

Est. vol. total, Calls 2 Puts 0. Previous day's open int., Calls 9458 Puts 6140

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9125	0.20	0.67	0.95	0.17	0.15	0.16
9150	0.09	0.50	0.76	0.31	0.23	0.22
9175	0.05	0.34	0.58	0.52	0.32	0.30

Est. vol. total, Calls 1300 Puts 415. Previous day's open int., Calls 72474 Puts 34823

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	6.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Meghraj Bank Ltd	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

● Members of London Investment Banking Association
* In administration

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300,000,000
TME FLOORED BONDS WITH OUT-LIMITS DUE AUGUST 17, 2002
ISIN CODE : XS0038585708

Notice is hereby given to the Bondholders that, pursuant to the Terms and Conditions of the Bonds Condition 4. «Interest», the rate of interest applicable to the period from August 17, 1995 to August 17, 1996 is 7.50%.

This rate of interest has been determinated according to the Condition 4. (ii), i.e. «The Bond bears interest at a rate which is the higher of Annual Average of TME + 0.20% or 7.50% per annum». (Annual Average of TME for the above mentioned period beeing 6.863%).

Therefore, the interest payable against surrender of coupon nr 4 will be: FRF 750.00 per Bond for the denomination of FRF 10,000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST LUXEMBOURG

COMMODITIES AND AGRICULTURE

Maize forecast sparks fresh price surge

By Laurie Morse in Chicago

The rally in Chicago grain and soyabean prices found new legs yesterday after the US Department of Agriculture said this year's maize harvest would be a disappointing 8.69bn bushels, up 18 per cent from last year, but 14 per cent below the 1994's record.

Although farmers increased plantings in response to sharply higher prices, a wet spring and a cool summer had limited the new crop's potential, the department said. In key growing areas like Indiana the maize crop was two weeks behind normal, leaving the plants vulnerable to early frost.

Analysts had expected a maize harvest estimate of at least 9bn bushels and said the lower estimate translated into a year-end carry-over of about 523mn bushels. With world grain stocks at their lowest levels in 25 years, livestock producers and grain processors had hoped to see the world's grain "cushion" expand to about 1bn bushels after this year's harvest.

"There is no doubt, we are still in a relatively tight market for wheat and corn [maize]," said Mr Dan Glickman, US Agriculture Secretary. He added, however, that even with higher raw grain prices, there would be "no material increase in food prices," this year. Analysts forecast a 3 per cent rise in US food inflation this year.

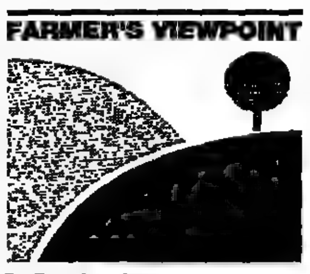
Grain prices, which had eased during the past month in response to timely rains, jumped at the Chicago Board of Trade Monday. Maize for December delivery rose the 12 cents daily price movement limit to \$3.41½ a bushel.

Wheat and soyabean prices also rose, with traders expecting more wheat to be substituted as animal feed. The USDA adjusted its 1996 wheat crop estimate down 1 per cent from July, to 2.25bn bushels, and said the soyabean harvest would be 9 per cent below the record 1994 harvest, at 2.3bn bushels.

British harvest is good in parts

In many areas crops have recovered well from the spring and summer drought

FARMER'S VIEWPOINT



By David Richardson

Reports of the grain harvest now being gathered across the UK are good.

Despite the dryness, until a few weeks ago, of the spring and summer, many crops appear to have fared remarkably well. Indeed in some regions where the drought has been less severe there is talk of near record yields.

It is all the more irritating for me and my neighbours, therefore, to be farming in East Anglia, which has probably suffered more from lack of rain than any other area in the country. Our crops have been hit badly and in spite of some recently rain, yield, quality and returns from many of the fields so far harvested will be below budget.

On our farm we have now completed harvesting the winter barley harvest sown last September, which grew through the winter and came fit to harvest in late July and early August. It is always our intention to sell such crops at harvest time for malting into beer. Most years we manage to do so and receive a significant premium over animal feed values. This year we have again managed to move it out of the barn and off the farm before we begin the wheat later this week; but prices have been low because of its poor quality. Some has not been good enough for malting.

Many of the individual grains, from light sandy soils in particular, have been thin and spiky rather than round and fat. When they are placed on a specially designed sieve those light, almost useless grains, fall through and are called screenings. A small percentage of screenings is accepted by merchants and brewers, but this year levels have been much higher than usual. Lorry loads from some farms are said to have contained more than 50 per cent of screenings. The only market for such loads is for feed; and the high fibre and low starch content mean it is not very good for that.

Worst loads from our farm contained over 20 per cent screenings and they too had to be diverted to the non-premium market. Needless to say there is a big price differential. Feed barley is worth about £95 a tonne whereas a really good malting sample can be valued at more than £140 a tonne.

Truth to tell, farmers in this area have had very few of those good samples this harvest. Not only were yields variable and samples high in screenings; but some also contained high protein, or nitrogen, which is not what is required to make best beer. This latter phenomenon is probably also a side effect of the drought.

Reports from farms in the south where the wheat harvest has already begun suggest that the same kind of variability has affected crops there. Some samples of quality wheat are said to contain as little as 9 per cent protein while others have up to 13 per cent. In the case of wheat the higher the protein the better.

All in all, it is proving a difficult harvest to assess on a national basis because of the variability, and in any case a disappointing one for most of us who farm in Norfolk, Suffolk, Essex and Cambridgeshire.

I may personally be more pessimistic than is justified nationally because of these localised conditions; and perhaps my optimism will return when we start gathering our wheat. But I doubt it, as this crop too has suffered from the drought. The fact that most other parts of this country and a high proportion of Europe have better crops can only drive down the price.

Meanwhile the recent agreement by the agriculture ministers of the European Union to reduce arable aid payments in order to fund compensation for "mad cow disease" within the budget of the CAP will erode incomes further. Payment for set-aside land (which varies slightly according to location) in England, for instance, will be reduced by 26.8 per cent or almost £40 an acre, while that for cereals will be cut by over £10 an acre and that for oilseed rape by £13 an acre. This means that a typical 500-acre arable farm is likely to receive between £6,000 and £7,000 less subsidy in 1997 than this year.

Increases in commodity prices appear unlikely in the short-term, while the scope for management economies is limited by farm input costs rising much faster than the rate of inflation. So these subsidy cuts are likely to have to come off the bottom line.

In an attempt to alert its customers to this kind of threat and persuade them to control expenditure and improve efficiency, Dalgety, the major national merchant, which buys from an sells to farmers, has taken to overprinting the business envelopes it sends to customers with the message: "ADJUST don't let your profits go down".

Many farmers, given their inability to control the weather, let alone political events, will ask "How"? And there are no easy answers. But if returns are set to fall the preferred ways to preserve margins are either to cut costs or to increase production, so as to spread overheads over bigger harvests, or both.

There is little doubt that there is scope for such actions, as the Dalgety envelopes suggest, and some farmers are responding to the challenge.

They are adding to the acreage under their control – sometimes, because of competition from their neighbours – at great and possibly unwise expense. But at least they are trying.

Many more are not responding, however, and may, in a couple of years, find themselves under the kind of financial pressure they expected to experience after the 1992 reform of the CAP.

So the recent unexpected short run of good years, good prices and good subsidies – especially in terms of devalued sterling – will have amounted only to a stay of execution.

Land swap proposed to end Yellowstone gold mine row

By Bernard Simon in Toronto

A solution is in sight to a bitter dispute between mining and environmental interests over plans to build a gold mine near Yellowstone National Park, one of the US's best-known wildlife sanctuaries and tourist attractions.

President Bill Clinton interrupted his summer holiday yesterday to announce a tentative deal under which the US government would exchange the site of the proposed New World mine for other federal property.

The project is owned by Crown Butte Resources which, until earlier this summer, was controlled by Noranda, the Canadian resources group. Crown Butte's immediate parent, Hemlo Gold, recently completed a merger with Houston-based Battle Mountain Gold. Noranda has a 27 per cent stake in Battle Mountain.

The 3,200-acre New World property, estimated to contain about 1.7m troy ounces of gold, is located in mountainous terrain just two miles north-east of the Yellowstone boundary.

Crown Butte has spent almost six years seeking permits from more than 20 federal and Montana state agencies to build an underground mine. It has so far invested about US\$35m in the project.

But the approval process has been bogged down by a torrent of protest from environmental groups, the media and high-level politicians. Mr Clinton himself expressed concern when he flew over the site last year. The project has also faced numerous court challenges.

At the centre of the row was a proposed 74-acre reservoir to hold toxic mine waste. Critics maintained that the area's weather patterns and earthquake-prone geology heightened the risk of material some day seeping from the reservoir into rivers that flow into Yellowstone.

Crown Butte responded that New World was not in a pristine area, with mining activity stretching back more than a century. A company official said last year "we are in fact reclaiming what looks like an old industrial site and we will leave the area in much better condition than it is today".

But Crown Butte said yesterday that "costs and delays associated with permitting, litigation and appeals had become unduly burdensome". It added that the proposed settlement reflected "the hard realities resulting from competing interests in the mining community".

Under the deal, Crown Butte will turn over all deeds and mining rights to the property. In exchange the government will give the company less environmentally sensitive federal property worth up to \$65m. The replacement properties have yet to be identified.

Porgera reserves upgraded

By Nikki Tait in Sydney

New studies have sharply increased the estimated size of the resource at the rich Porgera gold mine in Papua New Guinea's Highlands region.

The four joint venture partners said yesterday that the total proved and probable reserves were now estimated to be 78.7m tonnes of ore, grading 4.5 grams of gold per tonne. Contained gold was put at 11.5m ounces – an increase of 35 per cent, or 3m ounces, over the latest December 1995 estimate after taking account of ore mined up to end-June.

The Porgera partners – Placer Pacific, Renison Gold Fields, Highlands Gold and the PNG government – said that the new estimates were based on "a manually derived underground estimate" plus a computer-derived geostatistical estimate for the open pit.

These new forecasts have incorporated additional drill information and the open pit estimate is based on an extended area, both laterally and in terms of depth.

The partners added that they now believed it would be possible to mine and process ore at a lower cut-off grade than planned at present. "Studies are ongoing to determine future economic cut-off limits that can be achieved," they said.

At a cut-off grade of 1 gram of gold a tonne, the total measured and indicated resource is estimated at 132.3m tonnes, containing an estimated 14m ounces of gold, for example. At a cut-off grade of 1.5 grams of gold per tonne, by contrast, the figure would be 95.1m tonnes containing 12.6m ounces of gold.

The revised estimates came in the wake of a bumpy period for the mine, which has now been in operation for almost six years and produced a hefty 1.48m ounces of gold back in 1992. Technical problems meant that gold production dipped to 848,870 ounces in 1995, and then to 390,754 ounces in the first half of 1996. Production estimates for the second half-year, made last month, stand at around 500,000 ounces.

Yesterday's revised estimates brought a mixed reaction on the stockmarket, with Placer Pacific shares slipping 3 cents to A\$1.71, but Highlands gaining 2 cents to 52 cents.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1468-69	1504-05
Previous	1478-79	1513-14
High/low	1471/1470.5	1509/1502
AM Official	1471-71.5	1507.5-08
Kerb close		1503.5-04
Open int.	222,737	
Total daily turnover	31,104	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1260-70	1295-301
Previous	1270-75	1305-05
High/low		1300/1298
AM Official	1263-68	1298-302
Kerb close		1295-300
Open int.	4,969	
Total daily turnover	395	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	839-40	829.5-30
Previous	834.5-5.5	829.5-30
High/low	845	834/828
AM Official	844-5	833-4
Kerb close		829-30
Open int.	32,893	
Total daily turnover	10,617	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	7080-90	7185-90
Previous	7180-90	7285-90
High/low		7290/7160
AM Official	7105-10	7215-20
Kerb close		7165-70
Open int.	38,784	
Total daily turnover	10,617	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	6100-10	6165-70
Previous	6120-25	6180-85
High/low		6180/6140
AM Official	6110-15	6170-72
Kerb close		6150-60
Open int.	16,624	
Total daily turnover	3,595	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1010-11	1037-38
Previous	1017-18	1043.5-44
High/low	1012	1041/1035
AM Official	1012-12.5	1039-39.5
Kerb close		1035.5-36
Open int.	67,162	
Total daily turnover	9,272	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2030-35	1935-36
Previous	2052-57	1947-48
High/low	2040/2038	1942/1925
AM Official	2037-39	1938-39
Kerb close		1925-26
Open int.	201,511	
Total daily turnover	57,763	

■ LME AM Official £/\$ rate: 1.5457
LME Closing £/\$ rate: 1.5525

Spot: 1.5510 3 mths: 1.5497 6 mths: 1.5483 9 mths: 1.5465

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	91.60	–0.75	91.70	91.25	176	2,277
Sep	91.20	–0.90	92.10	90.50	4,650	16,539
Oct	90.50	–0.80	90.70	90.25	12	1,490
Nov	89.75	–0.75	–	90.70	10	1,249
Dec	89.00	–0.75	90.50	88.70	1,815	16,583
Jan	88.40	–0.70	88.50	88.50	22	978
Total					7,065	57,292

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	\$ price	£ equiv	SFr equiv
Close	387.60-388.00		
Opening	387.20-387.60		
Morning fix	387.20	249.60	484.52
Afternoon fix	387.15	249.53	484.50
Day's High	388.00-388.40		
Day's Low	387.00-387.40		
Previous close	387.50-387.90		

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.49	6 months	4.04
2 months	4.46	12 months	3.92
3 months	4.43		

Silver Fix	p/troy oz.	US cts equiv.
Spot	325.30	504.50
3 months	329.70	510.90
6 months	333.85	517.25
1 year	343.00	530.85

Gold Coins	\$ price	£ equiv.
Krugerrand	385-388	248-250
Maple Leaf	397.00-399.55	-
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	388.0	+0.1	388.5	387.5	565	455
Oct	380.8	+0.1	381.0	380.0	1,868	12,473
Dec	393.4	+0.1	394.0	392.5	20,850	74,748
Feb	395.8	+0.1	395.8	395.5	369	11,323
Apr	398.1	+0.1	397.8	397.8	211	5,946
Jun	400.6	+0.1	–	–	214	10,956
Total					24,320	159,380

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	402.7	–1.5	404.0	402.2	1,748	19,479
Jan	404.4	–1.5	405.5	404.2	107	3,026
Apr	408.7	–1.5	407.0	407.0	400	2,388
Jul	409.1	–1.5	–	–	1	153
Oct	412.6	–1.5	–	–	5	2
Total					2,268	25,228

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	129.80	–1.10	130.50	128.50	510	5,597
Dec	130.70	–1.10	131.60	130.25	201	2,663
Mar	131.80	–1.10	132.75	132.75	3	116
Jun	132.85	–1.10	–	–	–	107
Total					714	8,383

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	505.1	+2.7	–	–	100	104
Sep	506.7	+2.7	510.0	503.5	21,641	62,268
Dec	514.5	+2.8	517.5	512.0	1,894	27,542
Mar	522.2	+2.8	525.0	522.0	193	7,970
May	527.2	+2.8	–	–	–	5,816
Jul	532.0	+2.8	–	–	2	4,120
Total					23,942	110,689

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	22.12	+0.55	22.20	21.57	23,600	55,634
Oct	21.57	+0.51	21.65	21.08	12,943	55,309
Nov	20.98	+0.45	21.10	20.57	3,181	31,848
Dec	20.44	+0.33	20.50	20.05	5,774	41,511
Jan	20.00	+0.23	20.04	19.75	2,599	20,625
Feb	19.74	+0.22	19.74	19.60	1,329	20,267
Total					56,067	361,466

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.46	+0.53	20.55	20.01	16,163	40,893
Oct	20.05	+0.46	20.11	19.64	12,236	54,262
Nov	19.65	+0.44	19.87	19.23	1,880	11,297
Dec	19.15	+0.32	19.18	18.88	712	17,683
Jan	18.81	+0.31	18.82	18.56	1,333	12,139
Feb	18.60	+0.28	18.60	18.29	834	5,412
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	59.50	+1.01	59.55	58.50	7,456	33,157
Oct	59.80	+0.85	59.70	58.70	3,832	15,372
Nov	59.80	+0.86	59.85	59.05	1,206	10,135
Dec	59.95	+0.80	60.00	59.20	1,572	23,514
Jan	59.75	+0.80	59.75	59.00	637	11,274
Feb	58.30	+0.60	58.30	57.90	261	6,181
Total					15,459	112,674

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	179.75	–	181.50	179.25	2,799	3,706
Sep	180.75	+1.75	181.00	179.50	6,506	22,789
Oct	180.25	+1.75	180.25	178.30	1,633	6,604
Nov	179.00	+1.50	179.00	177.75	80	4,126
Dec	177.75	+1.50	177.50	176.50	289	11,513
Jan	175.75	+1.50	175.75	174.75	82	5,002
Total					11,479	63,288

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.080	–0.023	2.120	2.050	12,863	27,482
Oct	2.150	–0.031	2.180	2.125	6,088	22,114
Nov	2.235	–0.012	2.245	2.200	2,085	13,212
Dec	2.280	–0.017	2.300	2.255	1,045	15,085
Jan	2.295	–0.015	2.305	2.265	1,095	11,875
Feb	2.215	–0.008	2.225	2.180	472	7,082
Total					24,821	133,226

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	63.20	+1.33	63.40	61.85	10,176	24,435
Oct	61.40	+1.20	61.45	60.10	4,267	10,589
Nov	59.50	+1.08	59.50	58.40	1,581	5,792
Dec	57.60	+0.28	57.60	57.25	865	3,947
Jan	57.10	+0.48	57.25	56.60	814	3,551
Feb	56.55	–	56.55	56.55	385	1,294
Total					19,206	51,665

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	109.15	–0.10	109.05	109.00	17	320
Nov	111.25	+0.05	111.20	111.00	36	3,144
Jan	113.15	+0.05	112.95	112.85	20	1,493
Mar	115.00	–0.15	115.00	115.00	30	614
May	117.10	–0.05	117.10	117.00	70	396
Jul	119.00	–0.15	119.00	119.00	20	47
Total					193	5,765

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	474.50	+11.75	482.75	464.00	5,717	21,300
Dec	483.00	+14	489.00	468.00	8,008	35,999
Mar	479.50	+11.75	487.75	472.50	602	5,984
May	462.00	+10	462.00	445.00	49	299
Jul	415.50	+15.5	418.50	400.50	140	2,634
Dec	422.00	+16	–	–	–	84
Total					14,516	67,294

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	373.00	+12	376.00	362.50	17,469	58,772
Dec	341.50	+12	341.50	329.50	28,395	170,655
Mar	349.00	+12	349.00	337.25	2,764	38,605
May	354.25	+12	354.25	343.25	585	11,884
Jul	355.50	+12	355.50	355.50	481	8,967
Sep	321.00	+12	321.00	320.00	34	681
Total					49,676	287,590

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.90	–0.40	101.00	101.00	20	199
Nov	103.75	–0.65	104.05	103.75	27	866
Jan	105.90	–0.60	106.00	106.00	10	360
Mar	107.90	–0.45	–	–	–	66
May	109.90	–0.60	–	–	–	61
Total					57	1,578

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	825.50	+27	833.50	798.00	2,431	5,027
Sep	800.75	+23.5	807.25	780.00	2,980	14,807
Nov	788.25	+22.25	794.00	766.50	23,590	113,599
Jan	793.25	+21	801.50	772.00	2,238	17,405
Mar	799.25	+21.25	806.50	779.75	1,344	8,983
May	799.78	+21	806.00	791.00	403	6,419
Total					33,986	174,288

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	25.83	+0.68	26.00	25.80	3,455	3,127
Sep	25.94	+0.71	26.15	25.65	5,737	18,431
Oct	26.16	+0.73	26.37	25.85	1,115	13,519
Dec	26.53	+0.75	26.77	25.65	4,716	34,891
Jan	26.69	+0.77	26.85	26.50	276	4,345
Mar	26.89	+0.74	27.15	26.75	113	4,256
Total					15,317	82,213

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	256.1	+6.2	258.8	254.5	2,041	7,023
Sep	251.3	+5.1	254.5	248.0	6,793	17,928
Oct	247.2	+5.5	250.5	241.5	2,164	8,470
Dec	245.2	+6	248.5	239.0	5,411	27,764
Jan	245.0	+6.5	240.3	244.0	457	4,231
Mar	245.5	+7	249.0	243.5	354	3,781
Total					17,336	78,003

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	–	–	–	–	–
Mar	110.0	–	–	–	–	–
Apr	85.3	–8.2	88.0	83.0	174	1,026
May	97.5	–7.5	–	–	–	3
Jun	162.5	–	–	–	–	–
Total					174	1,009

■ FREIGHT (BIFFEX) LCE (\$10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1088	+13	–	–	–	1,016
Sep	1153	+8	1150	1145	15	726
Oct	1249	+13	1246	1230	11	1,411
Jan	1258	+8	1260	1240	21	487
Apr	1283	+13	1265	1265	5	196
Jul	1150	–15	–	–	–	19
Total					52	3,844

	Close	Prev
BFI	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Tea

There was fairly good demand this week reports the Tea Brokers Association. Landed bright Kenyas showed an easier tendency with prices generally 2 to 3 pence/kg down. However, better liquoring Burundis sold well at often dearer levels, especially pds. Coloury medium East Africans were firm to dearer while lesser mediums were about steady. Offshore, less demand at easier rates. Quotations: Landed best available 174p/kg. Good 116p/kg. Good medium 112p/kg. Medium 104p/kg. Low medium 98p/kg nom. The highest price realised this week was 174p/kg for a Burundi.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1028	+20	1030	1003	1,224	38,736
Dec	1037	+12	1041	1023	1,736	37,408
Mar	1047	+10	1053	1037	982	40,849
May	1058	+10	1062	1047	105	21,752
Jul	1068	+7	1073	1060	63	11,311
Sep	1081	+8	1078	1078	8	3,272
Total					4,338	173,780

■ COCOA CSCE (10 tonnes; \$/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1388	+23	1397	1364	2,089	11,629
Dec	1431	+25	1432	1406	2,479	29,312
Mar	1460	+22	1462	1440	275	16,343
May	1475	+20	–	–	73	7,518
Jul	1490	+20	–	–	1	5,943
Sep	1508	+20	–	–	51	5,162
Total					4,927	77,427

■ COCOA (ICCO) (SDR's/tonne)

Aug 9	Price	Prev. day
Daily	1026.33	1020.64

■ COFFEE LCE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1591	–4	1610	1590	1,678	11,570
Nov	1566	–13	1575	1559	1,044	9,569
Jan	1531	–	1540	1530	171	4,408
Mar	1492	–10	1505	1491	73	2,899
May	1475	–10	1480	1480	6	510
Jul	1465	–15	–	–	–	166
Total					2,872	29,349

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	116.15	+1.08	117.25	115.05	5,273	8,990
Dec	107.15	+1.30	107.50	105.75	4,046	9,965
Mar	103.75	+1.50	104.00	102.40	681	3,400
May	103.00	+0.00	103.50	103.00	183	1,027
Jul	102.75	+1.50	–	–	40	412
Sep	103.50	+1.25	–	–	5	187
Total					10,082	24,868

■ COFFEE (ICO) (US cents/pound)

Aug 9	Price	Prev. day
Comp. daily	101.06	101.25
15 day average	97.45	97.40

■ WHITE SUGAR LCE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	347.2	+3.1	348.0	345.0	1,484	11,273
Dec	343.6	+1.9	344.5	341.8	447	4,261
Mar	339.4	+1.1	340.0	338.5	91	6,489
May	335.8	+1.1	336.9	336.0	83	2,478
Aug	335.4	+0.8	–	–	–	982
Oct	322.3	–2.3	–	–	46	934
Total					2,085	26,648

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.59	+0.11	11.65	11.53	5,280	65,675
Mar	11.35	+0.09	11.38	11.28	2,913	44,272
May	11.11	+0.08	11.13	11.08	1,290	17,284
Jul	10.93	+0.09	10.86	10.79	936	12,945
Oct	10.67	+0.07	10.69	10.65	807	7,211
Mar	10.49	+0.12	10.45	10.45	200	776
Total					11,694	148,365

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.25	+3.00	73.25	72.20	712	7,608
Dec	73.88	+3.00	73.88	73.10	4,804	32,803
Mar	75.35	+3.00	75.35	74.30	780	7,984
May	76.35	+3.00	76.35	75.40	282	5,918
Jul	76.90	+3.00	76.89	76.00	406	4,545
Oct	76.60	+1.85	76.00	76.00	56	1,075
Total					6,557	62,968

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	116.15	+2.65	116.20	114.60	599	10,734
Nov	111.50	+2.05	111.50	110.55	258	4,224
Jan	111.40	+1.85	111.50	110.70	87	4,376
Mar	112.20	+1.40	112.10	111.50	6	920
May	112.85	+0.80	112.75	112.75	2	260
Jul	113.85	+0.85	–	–	12	188
Total					962	20,817

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 12	Aug 9	month ago	year ago
1932.4	1938.5	1962.3	2194.2

■ CRB Futures (Base: 1967=100)

Aug 9	Aug 8	month ago	year ago
246.14	246.00	-	-

■ GSCI Spot (Base: 1970=100)

Aug 9	Aug 8	month ago	year ago
na	198.12	-	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.975	–0.375	68.350	67.775	4,383	10,422
Oct	70.000	–0.400	70.350	69.785	5,061	40,799
Dec	66.750	–0.500	67.250	66.575	2,760	20,804
Feb	65.125	–0.450	65.375	64.825	829	12,901
Apr	66.500	–0.400	66.850	66.350	249	4,607
Jun	64.725	–0.225	64.825	64.525	58	2,221
Total					13,339	94,939

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	62.750	+0.450	62.900	61.850	1,197	3,070
Oct	56.525	+0.150	56.775	56.000	2,539	15,380
Dec	57.200	+0.850	57.250	56.380	926	9,646
Feb	76.625	+1.375	77.000	76.100	231	2,920
Apr	74.675	+1.225	74.750	73.250	56	1,071
Jun	78.950	+1.150	79.050	77.750	63	1,149
Total					4,694	33,832

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	86.475	–2.000	88.475	86.475	334	1,846
Feb	84.500	+1.075	84.800	81.425	921	3,695
Mar	84.100	+1.475	84.100	80.625	106	498
May	82.550	+1.150	82.900	79.800	28	235
Jul	81.600	+1.650	81.800	79.250	9	46
Aug	78.250	+0.775	77.250	76.800	1	4
Total					1,399	6,127

LONDON TRADED OPTIONS

Strike price \$ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1450	42	98	8	30
1500	14	66	29	49
1550	3	45	68	76
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1850	185	140	9	87
1950	80	93	33	139
2050	22	60	85	202
■ COFFEE LCE	Sep	Nov	Sep	Nov
1600	30	80	39	114
1650	13	62	72	146
1700	7	46	118	182
■ COCOA LCE	Sep	Dec	Sep	Dec
950	79	108	1	21
975	55	90	2	28
1000	35	75	7	36
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1900	-	-	-	39
1950	-	-	-	55
2000	10	80	4	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	\$18.89-8.97	+0.425
Brent Blend (dated)	\$20.64-0.67	+0.625
Brent Blend (Sep)	\$20.41-0.49	+0.575
W.T.I.	\$22.09-2.11x	+0.59

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	\$211-213	
Gas Oil	\$180-182	+0.5
Heavy Fuel Oil	\$89-91	
Naphtha	\$191-194	+3
Jet fuel	\$206-208	
Diesel	\$184-186	+1

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	13.60-13.75	+0.025

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

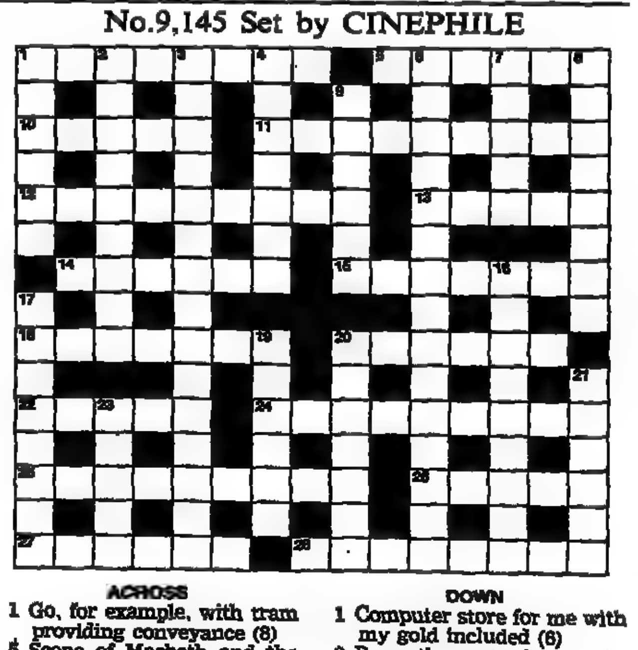
Gold (per troy oz)♣	\$387.80	+0.10
Silver (per troy oz)♣	509.50c	+2.50
Platinum (per troy oz.)	\$398.50	-2.25
Palladium (per troy oz.)	\$128.25	-1.25
Copper	97.0c	-4.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.03r	-0.03
Tin (New York)	287.00	
Cattle (live weight)	97.80p	+3.55*
Sheep (live weight)	109.11p	+6.15*
Pigs (live weight)†	107.52p	+8.47*
Lon. day sugar (raw)	\$305.10	+1.10
Lon. day sugar (wte)	\$368.30	+3.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	\$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	89.00p	
Rubber (Aug)♥	89.00p	
Rubber (KL RSS No1)	323.00m	-2.50
Coconut Oil (Phil)§	\$790.0w	+2.5
Palm Oil (Malay.)§	\$460.0	-2.5
Copra (Phil)§	\$502.0w	
Soyabeans (US)	218.0	
Cotton Outlook'A' Index	75.60c	
Wooltops (64s Super)	417p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 475 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,145 Set by CINEPHILE



ACROSS

1 Go, for example, with tram providing conveyance (8)
5 Scene of Macbeth and the Life of the Lyons? (6)
10, 22 Charter mark half attained by little flier without motor first (5,5)
11 Not even I have the right to draw back in the back (9)
12 A way in dress has some effect on the joint (5,4)
13 A writer or two (5)
14 Stuck here? More fool you! (6)
15 Word describing front page article in Spielberg film (7)
18 Allege return of light at the mouth of hell (7)
20 Promise to participate? (6)
22 See 10
24 To enter another's feelings takes time, heaps (9)
25 Vessel used in reactor to come down in Mausolus' country (9)
26 River to try for work (5)
27 See about a communist in Texas (6)
28 Private home with seabird on a plate (8)

DOWN

1 Computer store for me with my gold included (6)
2 Dress the part when mother's in; it's a lot of nonsense (9)
3 Ulysses argues the case for the opted out (5-10)
4 West African money (7)
6 Object of conductor to come out quick? (9,6)
7 Pure drink on a cross country (5)
8 Sentry that is providing peace of mind (8)
9 Sweet nothing? (6)
16 Tormented by network study being under a half of a half (3-6)
17 In the distance a reaper can be heard: it's ludicrous (8)
19 Cutter to silence listeners (6)
20 Give reason: former partner wasn't good-looking (7)
21 Wordy predator in the west stand (6)
23 Sovereign maybe graduated (5)

Solution to Saturday's prize puzzle on Saturday August 24.
Solution to yesterday's prize puzzle on Monday August 26.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

صكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣ W	447	-1	536	419	4,638	6.6	18.9
Bulmer (HP)	♣	592xd	-1	625	464	312.8	2.8	19.8
Burn St Dist	♣	101	—	149	95	29.9	6.2	27.8
Devenorangie A		765		775	600	104.0	2.0	19.8
Grand Met	♣†	459xd	+5½	497	407½	9,885	4.2	19.4
Guinness	♣♣	473	+3	535	435	9,138	3.9	15.4
Highland	♣†	355	-4	455	315	986.5	3.7	17.0
Kirin Y		729¼	+2½	879¼	621	7,675	0.8	24.1
Macallan-Glen	♣♣	153		217	150	179.6	1.2	31.4
Matthew Clark	♣♣	683	-1	803	580	614.6	4.3	33.2
Merrydown	♣	121xd		141	91	13.2	4.6	ϕ
Seagram $		£21⅞	-⅛	£25¾	£20⅞	8,988	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BREWERIES, PUBS & REST

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

CHEMICALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

CHEMICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DISTRIBUTORS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRICITY

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT

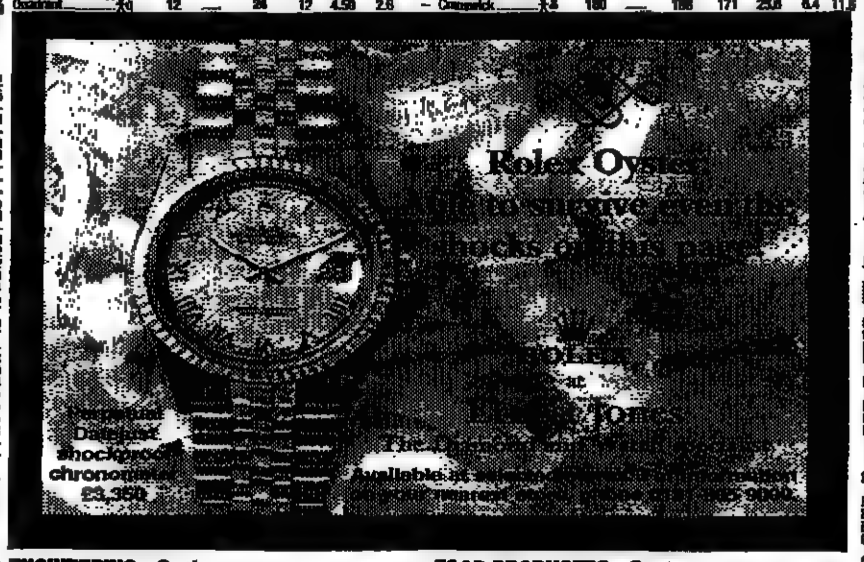
	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ELECTRONIC & ELECTRICAL EQPT - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								



ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

ENGINEERING, VEHICLES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

FOOD PRODUCERS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

FOOD PRODUCERS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HEALTH CARE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

HOUSEHOLD GOODS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INSURANCE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

INVESTMENT TRUSTS

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculation are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a
FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 index holds on to the 3,800 level

By Philip Coggan,
Markets Editor

A combination of stocks going ex-dividend, the fall in BAT Industries after a US court ruling on tobacco and a weak start on Wall Street combined to send shares in London lower yesterday.

Nevertheless, by the close the FT-SE 100 index was still managing to hold above the 3,800 level, having dipped to 3,792.4 shortly after the start of trading. The leading index finished 7.4 points off at 3,803.3, a decent performance considering that stocks going ex-dividend knocked off 11 points. The FT-SE Mid-250, unburdened by some of the special factors that hit Footsie, managed a 7.4 point rise to 4,331.9.

A good set of producer price numbers, which once again showed no immediate inflationary threat, gave a modest lift to sentiment. By mid-morning, Footsie was showing a modest 0.3 point gain.

But short sterling futures, the market's vehicle for speculating on interest rate changes, are still indicating that base rates will not fall from their current 5.75 per cent and should rise by March 1997.

Mr Richard Kersley, UK equity strategist at Barclays de Zoete Wedd said: "The comments from the Bank of England last week about the risks for inflation may be having some effect. The chancellor would be hard put to get a rate cut past Eddie George (the Bank governor) on the producer prices alone."

In the afternoon, the UK market had to struggle against Wall Street, where the Dow Jones Industrial Average was around 27 points lower by the close of London trading. The main cause for the Dow weakness was a decline in Philip Morris as investors reacted to a US court decision awarding damages to a smoker.

The case hit home in the UK as well, where shares in BAT Industries – whose Brown & Williamson unit was the subject of the court case – were the worst performers in Footsie.

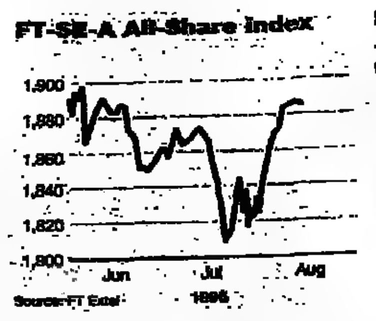
Another piece of news from the US to affect the London market was the decision of Houston Industries to purchase NorAm, a US gas company, for $3.8bn. Houston had long been rumoured as a bidder for one of the remaining independent regional electricity companies and Rec stocks suffered in consequence.

Despite the negative influences, UK shares managed to hold on to the gains made in early August, when Footsie rose for seven days in a row. Mr Scott Evans, UK equity strategist at UBS, says that "last week, the market was helped by a pretty good set of half year results, some share buy-backs and the return of bid speculation. But at its current level, the market is looking very susceptible to any falls on Wall Street."

Once again, Monday proved to be an extremely slow day for trading activity, with just 465.3m shares traded by the 6pm count, of which 63 per cent was in non-Footsie stocks.

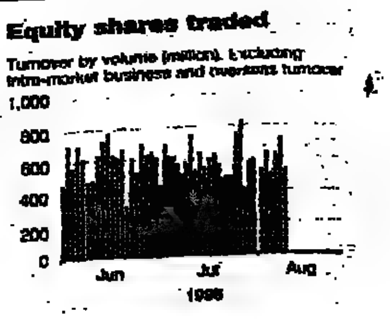
The value of retail business on Friday was £1.38bn.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3803.3	-7.4
FT-SE Mid 250	4331.9	+7.4
FT-SE-A 350	1905.1	-2.2
FT-SE-A All-Share	1882.95	-1.91
FT-SE-A All-Share yield	3.91	3.91
FT Ordinary index	2794.3	-2.0
FT-SE-A Non Fins p/e	17.12	17.15
FT-SE 100 Fut Sep	3811.0	0.0
10 yr Gilt yield	7.79	7.79
Long gilt/equity yld ratio	2.09	2.09

Best performing sectors

1 Extractive Inds .... +0.8
2 Retailers : General .... +0.7
3 Property .... +0.6
4 Alcoholic Beverages .... +0.5
5 Engineering : Vehicles .... +0.5

Worst performing sectors

1 Tobacco .... -8.8
2 Gas Distribution .... -1.9
3 Consumer Goods .... -1.2
4 Pharmaceuticals .... -1.0
5 Diversified Inds .... -0.4

Tobacco scares hit BAT

BAT Industries tumbled to its lowest level for more than a year, took more than eight points off the value of Footsie, and continued the seemingly relentless slide of leading conglomerates.

Shares in the tobacco and insurance group fell 45 to 464p – inclusive of 12.5p of gross dividend – their second tobacco-related hit this year. Yesterday's slide sprung from news late on Friday that a US jury had found in favour of a man suing for smoking related damages. It left the stock down more than 120p from its February peak and increased pressure on the company to demerge its financial services business.

It also tested the view of those analysts who have argued that, with tobacco highly cash generative and BAT shares on a whopping 7 per cent yield, now is a good time to buy.

Nevertheless, Mr Nyren Scott Malden of BZW – the investment bank which is broker to the company – remained remorselessly cheerful.

"It [the court verdict] looks like a rogue decision which will almost certainly be overturned on appeal. It will affect sentiment but, traditionally, this sort of thing has always provided an excellent buying opportunity," he said.

BAT's performance this year renders it one of a troubled trio alongside Hanson and BTR. While the problems of all three are distinct, they have left investors with a liking for conglomerates feeling less than happy.

Hanson has underperformed the broad market by almost 20 per cent this year and yesterday dribbled off 3½ to 165p, even though its Imperial Tobacco arm does not operate in the US.

BTR, which has underperformed the FT-SE A All Share index by 25 per cent this year, was a penny firmer at 259p.

Recs slip back

Regional electricity stocks were out of favour as the market registered its disappointment that Houston Industries of the US has taken its cash elsewhere.

Houston said it had signed a definitive agreement to acquire NorAm Energy Corp in a transaction with a total value of $3.8bn. The news dashed market expectations that it was poised to buy either Northern, East Midlands or Yorkshire. Consequently, the three companies were among the leading casualties in the FT-SE Mid 250 Index. Northern fell 16 to 537p, East Midlands 12 to 593p and Yorkshire 12 to 727p. The other two independents, London and Southern, shed 8 to 640p and 6 to 691p respectively.

However, the biggest faller in the mid-cap index was British Biotech, which fell 10 to 215p. Credit Lyonnais Laing has valued the stock at 130p a share.

Stores bounce

Shares in selected stores moved smartly forward ahead of today's latest figures from the British Retail Consortium. Last month, the trade body reported that like-for-like sales leapt by 7 per cent in June against the same period last year, and there are expectations of a similarly hefty increase for July. Also, Argos begins the retailers' reporting season next Monday and is forecast to announce a 28 per cent rise in interim profits. Argos shares gained 9 to 745. Next lifted 8 to 542p and Kingfisher, parent of Woolworths in the UK, improved 6 to 645p.

Regulatory worries overhung National Grid and British Gas ahead of anticipated pronouncements this week.

There is speculation that the electricity regulator will today impose a one-off price cut of 20 per cent on the Grid and cap future price rises at inflation minus five per cent. Grid shares were down most of the day but recovered just before the close to end a penny higher at 175½p.

Meanwhile, Gas lost 4 at 198½p ahead of the pricing review on its TransCo pipeline business, which accounts for most of the company's cashflow, profits and dividend. A statement is expected by the end of the week.

Among food retailers, J. Sainsbury ticked up 4 to 399p following reiterated buy advice from SGST.

The broker feels that the group, which has showed up well in recent market share statistics, is now firmly back on the road to a more settled period of trading. It has the shares marked down as a strong long-term buy.

Newcomer Somerfield, which made a strong stock market debut on Friday, came off 2 to 157p in good two-way volume of 4.4m.

A recent "buy" note from Robert Fleming Securities emphasised the group's scope for cost savings, and pinpointed a target price of 220p. The shares were floated at 145p.

A positive change of stance by NatWest Securities helped restore some equilibrium at foods and detergents leader Unilever, which clawed back more than half of Friday's results-led losses adding 4 to 1247p.

The broker expects forthcoming investor presentations to allow the spotlight to focus on "the Unilever revitalisation story". It says the UK shares look attractive in relation to the Dutch arm of the combine, and has switched its stance from "hold" to "buy".

Great Portland Estates bounced to the top end of the FT-SE Mid 250 rankings following another round of positive news for the property sector.

Rather than further broker optimism, the lift came from the Royal Institute of Chartered Surveyors signalling improved retail values and lettings in its latest quarterly bulletin.

Great Portland added 5 to 190p and Land Securities gained 8 to 675p. Capital Shopping and Chelsfield, the two purest retail plays in the sector, moved in opposite directions. Capital Shopping came off 2 to 298p and Chelsfield hardened a penny to 264p.

Building materials leader Redland retreated 5 to 420p after two top brokers were said to have reiterated a sell stance.

Takeover gossip in support services, severely deflated by Hays' recent failure to clinch a deal with Christian Salvesen, returned yesterday. News that British Data Management was in bid talks sent the shares up 14 to 184p.

News that Pifco Holdings is set to announce the marketing of a new, flat-element electric kettle, hoisted the A voting shares 31 to 251p.

Shares in Pearson recovered more of their recent losses, on the back of positive comment in the Sunday press and a short squeeze on the stock. The media conglomerate, which owns the Financial Times, bounced 13 to 660p.

FINANCIAL TIMES EQUITY INDICES

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6	Yr ago	*High	*Low
Ordinary Share	2794.3	2796.3	2796.4	2787.8	2770.3	2592.2	2885.2	2663.8
Ord. div. yield	4.08	4.08	4.08	4.08	4.10	4.16	4.22	3.76
P/E ratio net	16.44	16.44	16.44	16.43	16.33	15.47	17.25	15.80
P/E ratio nil	16.28	16.28	16.28	16.27	16.17	15.27	17.03	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2792.9	2791.8	2798.2	2801.1	2800.9	2797.7	2797.4	2793.1	2794.9	2801.9	2791.0

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6	Yr ago
SEAQ bargains	30,653	30,417	30,144	32,267	31,412	22,352
Equity turnover (£m)†	-	1381.9	1486.2	[illegible]	2159.8	1124.7
Equity bargains†	-	36,582	35,120	38,407	37,678	34,684
Shares traded (mil)†	-	490.8	523.8	725.9	628.0	[illegible]

†Excluding intra-market business and overseas turnover.

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6	Yr ago	*High	*Low
FT-SE AIM	1070.80	1069.80	1060.00	1063.10	1048.00	-	1146.40	968.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	610	Total Highs	52	Total contracts	39,186
Total Falls	439	Total Lows	41	Calls	28,533
Same	1,643			Puts	10,653

Aug 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3804.0	3811.0	-	3821.0	3799.0	5487	61646
Dec	3837.5	3832.5	-	3837.5	3837.5	285	3815
Mar	-	3843.0	-	-	-	0	310

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4330.0	4330.0	+6.0	4330.0	4330.0	1	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3803) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
§70	F.P.	14.4	78	67	†AND Intl
§60	F.P.	8.64	58	33	†Allzyme
§	F.P.	210.4	238	228	Allied Carpets
-	F.P.	880.5	£20½	£18½	Alumax
§100	F.P.	-	100	100	Amer Opps Ln 03/06
§110	F.P.	9.10	136	120	†Chemical Design
§71	F.P.	16.2	111	78	†Digital Animations
§3	F.P.	3.07	4	4	†Drings of Bath
§	F.P.	67.5	677¼	677¼	Egypt Trust
§146	F.P.	44.8	218	146	†Elec Retail Sys
§	F.P.	2.62	53	41	†Fayrewood
163	F.P.	22.2	199	169	†HIT Entm
§86	F.P.	18.2	86	86	Hambros Sm Am C
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C
§12	F.P.	0.60	15	12	†Life Numbers
§	F.P.	0.16	6	2	†Life Numbers Wts
§	F.P.	0.28	1½	1	†Lotteryking Wts
-	F.P.	0.38	2	1½	†Perdum Foods Wts
§105	F.P.	29.4	128	105½	Robert Walters
§149	F.P.	19.0	163	161	†SCI Ent
§100	F.P.	79.5	96	91	Schroder Em Ctrs
§	F.P.	8.28	38	31	Schroder Em Wts
-	F.P.	38.9	369	343	Schroder Em Ct C
§66	F.P.	13.3	70	66	†Selector
145	F.P.	471.0	163	156	Somerfield
-	F.P.	4.83	125	120	†West 175 Entm

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

Gold Mines Index†(31)	[illegible]	-1.1	[illegible]	2287.70	1.84	-	2680.73	1722.88
■ Regional Indices								
Africa (13)	[illegible]	-0.3	[illegible]	2007.27	3.04	37.07	[illegible]	2272.74
Australasia (7)	2382.06	-0.4	2402.47	2485.82	2.38	22.71	2827.34	2123.80
North America (11)	1832.88	-1.5	1881.48	1708.78	0.72	88.48	2186.38	1489.84

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market Closed 9/8/96: South Africa.

FT - SE Actuaries Share Indices The UK Series

	Aug 12	Day's chge%	Aug 9	Aug 8	Aug 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3803.3	-0.2	3810.7	3811.4	3811.1	3441.4	4.11	2.06	14.66	124.79	1571.81
FT-SE Mid 250	4331.9	+0.2	4324.5	4318.6	4309.0	3845.7	3.48	1.59	22.69	122.72	1751.93
FT-SE Mid 250 ex Inv Trusts	4365.6	+0.2	4357.4	4350.5	4340.5	3885.0	3.58	1.62	21.53	129.23	1768.96
FT-SE-A 350	1905.1	-0.1	1907.3	1907.0	1906.0	1717.4	3.97	1.99	15.84	60.69	1607.96
FT-SE-A 350 Higher Yield	1836.1	-0.4	1843.5	1842.6	1840.9	1705.4	5.27	1.90	12.47	77.09	1302.11
FT-SE-A 350 Lower Yield	1981.4	+0.1	1978.5	1978.8	1978.5	1733.5	2.78	2.13	21.09	44.74	1379.78
FT-SE SmallCap	2122.93	+0.1	2121.04	2118.63	2114.27	1944.07	3.12	1.66	29.85	42.82	1751.02
FT-SE SmallCap ex Inv Trusts	2115.35	+0.1	2113.09	2109.84	2104.81	1922.39	3.34	1.76	21.26	45.00	1755.96
FT-SE-A ALL-SHARE	1882.95	-0.1	1884.86	1884.43	1883.21	1699.20	3.91	1.97	16.26	58.30	1613.37

■ FT-SE Actuaries All-Share

	Aug 12	Day's chge%	Aug 9	Aug 8	Aug 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3567.20	+0.1	3563.35	3539.79	3557.36	2915.26	3.81	1.63	20.16	93.81	1543.26
12 Extractive Industries(6)	4112.79	+0.6	4081.83	4103.82	4092.20	4013.09	3.90	2.62	12.72	109.19	1210.26
15 Oil, Integrated(3)	3667.61	.....	3666.13	3633.55	3657.16	2904.28	3.98	1.48	21.22	100.98	1629.19
16 Oil Exploration & Prod(15)	2523.11	-0.3	2531.21	2519.32	2527.85	2006.95	2.07	1.52	39.69	34.94	1519.63
20 GEN INDUSTRIALS(276)	2008.65	+0.1	2007.44	2006.16	1992.66	1978.80	4.31	1.84	15.75	55.15	1108.14
21 Building & Construction(34)	1142.03	+0.4	1138.00	1137.48	1134.75	971.68	3.69	1.67	20.67	23.06	959.79
22 Building Matls & Merchs(28)	1854.20	+0.1	1852.19	1852.58	1842.99	1820.10	4.13	1.71	17.69	47.61	943.44
23 Chemicals(25)	2410.58	+0.1	2408.72	2412.07	2402.45	2462.76	4.19	1.61	18.49	62.58	1150.75
24 Diversified Industrials(19)	1555.11	-0.4	1561.88	1555.10	1513.43	1797.71	6.69	1.69	11.04	62.63	881.51
25 Electronic & Elect Equip(37)	2312.40	+0.4	2303.86	2302.97	2298.73	2033.02	3.37	1.65	22.45	56.62	1215.65
26 Engineering(71)	2439.58	+0.3	2432.25	2434.46	2431.09	2089.69	3.29	2.43	15.59	54.66	1493.58
27 Engineering, Vehicles(14)	3051.41	+0.5	3037.00	3040.31	3055.03	2547.42	3.49	2.01	17.86	73.79	1595.62
28 Paper, Pckg & Printing(28)	2618.50	+0.2	2612.23	2601.00	2596.65	2979.17	3.94	1.99	15.99	64.49	1100.15
29 Textiles & Apparel(19)	1244.46	-0.2	1246.41	1253.90	1263.01	1683.52	5.68	1.56	14.10	42.36	768.32
30 CONSUMER GOODS(81)	3549.11	-1.2	3593.98	3591.34	3605.46	3269.52	3.97	1.94	16.21	115.56	1330.90
32 Alcoholic Beverages(8)	2805.32	+0.5	2791.69	2792.83	2799.21	2758.89	4.50	1.62	17.16	91.68	1025.72
33 Food Producers(24)	2508.16	+0.3	2500.61	2505.27	2511.12	2525.23	4.15	1.86	16.29	70.29	1143.96
34 Household Goods(15)	2559.94	+0.1	2558.37	2560.89	2559.01	2660.07	3.89	2.15	14.96	59.03	983.36
36 Health Care(20)	2007.03	+0.3	2001.76	2007.31	2009.21	1889.33	2.73	2.18	21.01	35.96	1226.65
37 Pharmaceuticals(13)	5193.48	-1.0	5248.63	5230.48	5250.08	4218.23	3.25	2.07	18.56	151.62	1789.04
38 Tobacco(1)	3930.48	-8.8	4311.68	4315.91	4370.97	4231.21	6.67	2.06	9.12	262.07	1012.17
40 SERVICES(252)	2520.96	+0.3	2512.68	2510.57	2505.44	2159.15	2.91	1.91	22.49	58.07	1321.95
41 Distributors(31)	2748.85	+0.1	2745.37	2750.67	2730.78	2713.72	3.18	1.74	22.66	57.82	1021.46
42 Leisure & Hotels(24)	3147.87	+0.5	3133.21	3108.45	3133.21	2477.50	2.78	1.93	23.30	154.38	1701.94
43 Media(45)	4211.46	+0.3	4197.39	4184.04	4174.23	3242.23	2.19	1.95	29.34	59.65	1530.13
44 Retailers, Food(14)	2022.95	+0.4	2015.52	2019.16	2025.18	2149.44	3.79	2.32	14.25	48.71	1298.24
45 Retailers, General(43)	2096.16	+0.7	2082.09	2065.61	2077.65	1774.97	3.01	2.13	19.52	47.43	1209.49
47 Breweries, Pubs & Rest.(24)	3112.51	-0.2	3117.89	3113.83	3098.04	2641.92	3.29	1.99	19.12	67.05	1508.65
48 Support Services(49)	2460.25	+0.2	2456.15	2455.40	2422.52	1741.69	1.90	2.28	28.89	34.90	1571.93
49 Transport(22)	2375.62	+0.1	2373.78	2375.34	2393.16	2302.57	4.01	0.93	33.40	57.34	999.31
60 UTILITIES(33)	2338.52	-0.3	2345.89	2344.09	2331.50	2491.86	5.46	1.97	11.63	151.65	1038.17
62 Electricity(11)	2476.62	-0.3	2483.67	2477.28	2482.30	2596.09	6.56	2.45	7.79	404.44	1327.49
64 Gas Distribution(2)	1329.22	-1.9	1354.82	1351.62	1319.62	1861.66	9.02	1.36	10.22	66.67	697.18
66 Telecommunications(6)	1970.58	-0.2	1974.97	1973.88	1971.03	2099.80	4.09	1.69	18.09	50.20	915.26
68 Water(12)	2236.11	+0.3	2228.60	2233.61	2221.81	2050.53	5.91	2.36	8.97	88.50	1261.06
69 NON-FINANCIALS(666)	1985.98	-0.2	1989.23	1986.32	1983.47	1826.16	3.89	1.88	17.12	62.86	1528.08
70 FINANCIALS(104)	3041.67	+0.2	3037.04	3053.27	3062.33	2496.30	4.33	2.42	11.92	94.03	1326.77
71 Banks, Retail(8)	4335.21	+0.1	4330.50	4357.17	4371.12	3384.45	4.18	2.71	11.03	141.75	1438.28
72 Banks, Merchant(6)	3561.94	+0.1	3558.94	3551.83	3476.79	3618.48	2.78	2.50	17.99	63.39	1136.76
73 Insurance(22)	1459.91	.....	1459.77	1465.66	1472.01	1343.54	5.69	2.41	9.11	49.20	1107.73
74 Life Assurance(6)	3407.57	+0.2	3402.18	3449.89	3480.34	2758.37	4.43	2.21	12.74	100.72	1428.47
77 Other Financial(21)	2571.00	+0.2	2565.58	2554.55	2538.36	2186.48	4.10	1.79	16.98	68.15	1479.64
79 Property(41)	1593.71	+0.6	1584.88	1587.24	1598.35	1465.98	4.01	1.25	24.97	40.48	992.69
80 INVESTMENT TRUSTS(126)	3131.88	.....	3131.11	3130.49	3127.30	2907.93	2.26	1.11	49.75	47.71	1100.34
89 FT-SE-A ALL-SHARE(896)	1882.95	-0.1	1884.86	1884.43	1883.21	1699.20	3.91	1.97	16.26	58.30	1613.37
FT-SE-A Fledgling	1226.09	+0.2	1224.25	1223.01	1220.89	1044.27	2.79	2.32	19.26	21.75	1288.78
FT-SE-A Fledgling ex Inv Trusts	1239.82	+0.2	1237.72	1236.16	1234.35	1038.26	2.99	2.50	16.72	23.55	1305.02

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3796.4	3793.6	3804.8	3809.8	3809.9	3807.2	3806.5	3800.3	3802.9	3811.5	3792.4
FT-SE Mid 250	4326.5	4325.6	4326.8	4330.1	4330.7	4331.5	4331.6	4331.7	4331.7	4332.4	4325.7
FT-SE-A 350	1901.8	1900.7	1905.2	1907.5	1907.6	1908.6	1906.3	1903.9	1904.9	1908.1	1900.2

Time of FT-SE 100 Day's high: 10:26 AM Day's low: 8:55 AM. FT-SE 100 1996 High: 3857.1 (18/04/96) Low: 3632.3 (16/07/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1127.6	1127.6	1127.6	1128.7	1130.0	1130.5	1131.7	1132.3	1134.9	1134.5	1127.9	+6.6
Pharmaceuticls	5130.7	5129.0	5144.7	5149.8	5148.5	5148.4	5144.5	5125.1	5125.0	5123.2	5175.8	-52.6
Water	2217.8	2215.5	2215.5	2213.5	2213.5	2213.5	2215.7	2215.1	2224.0	2224.0	2216.5	+7.5
Banks, Retail	4374.7	4369.9	4383.1	4396.7	4398.1	4397.3	4396.5	4391.9	4390.5	4390.5	4385.8	+4.7

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

CONTRACTS & TENDERS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 12 / Sch)

BELGIUM/LUXEMBOURG (Aug 12 / Frs.)

CZECH REP (Aug 12 / Koruna)

DENMARK (Aug 12 / Kr)

FINLAND (Aug 12 / Mka)

FRANCE (Aug 12 / Frs)

GERMANY (Aug 12 / Dm.)

GREECE (Aug 12 / Drachma)

ITALY (Aug 12 / Lira)

NETHERLANDS (Aug 12 / Fls.)

NORWAY (Aug 12 / Kroner)

POLAND (Aug 12 / Zloty)

PORTUGAL (Aug 12 / Escudo)

		+/-	High	Low	Yld	P/E
BCO Pt	2,000	-10	2,430	1,401	5.0	—
BCPort	1,800	-8	2,250	1,675	3.3	—
BESant	2,514	-8	2,800	1,881	4.6	—
BancTA	2,750	+6	3,120	2,312	6.9	—
ModCnt	4,279	—	4,800	3,400	1.4	—
PTelcm	3,900	+2	4,180	2,700	2.3	—
Sonlnv	4,274	+26	4,500	3,075	3.5	—
Unicer	2,867	-2	3,000	2,250	3.6	—

SPAIN (Aug 12 / Pts.)

		+/-	High	Low	Yld	P/E
ACFUnF	920	-1	[illegible]	570	19.5	—
Acerna	12,570	-70	[illegible]	[illegible]	[illegible]	
Acesa	1,375	-5	1,545	1,120	5.5	—
AguBar	4,940	-20	5,100	3,136	1.7	
Aguila	780		975	575		
Alba	10,560	+10	[illegible]	6,400	1.1	—
Argent	5,030		5,730	4,130	2.0	
BAndal	17,250	-50	[illegible]	[illegible]	4.1	
BAtlnt	2,950	-5	3,460	2,920	4.1	
BBV	5,310	-10	5,520	3,580	[illegible]	—

SWEDEN (Aug 12 / Kronor)

SWITZERLAND (Aug 12 / Frs.)

TURKEY (Aug 12 / TL Lira)

PACIFIC

JAPAN (Aug 12 / Yen)

HONG KONG (Aug 12 / H.K.$)

INDONESIA (Aug 12 / Rupiah)

MALAYSIA (Aug 12 / MYR)

NEW ZEALAND (Aug 12 / NZ $)

SINGAPORE (Aug 12 / S$)

AUSTRALIA (Aug 12 / Aust$)

SOUTH KOREA (Aug 12 / Won)

TAIWAN (Aug 12 / TW $)

THAILAND (Aug 9 / Baht)

AFRICA

SOUTH AFRICA (Aug 12 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 12 / Can $) 4 pm close

MONTREAL (Aug 12 / Can $) 4 pm close

INDICES

US INDICES

Dow Jones

Standard and Poors

NYSE

■ RATIOS

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

INDEX FUTURES

■ CAC-40 (200 x index)

■ DAX

■ OMX

■ SOFFEX

■ Nikkei 225

■ S&P 500

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, August 12, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
TYK Corp	9.9m	1050	+20	Kanematsu Corp	3.3m	562	-10
Chiba Bank	4.6m	890	-4	Daido Stl Sheet	2.8m	1050	+20
Nippon Stl Corp	4.1m	342	-6	NEC Corp	2.8m	1180	+40
Koa Oil Co	3.6m	920	-50	Nagasakiya	2.6m	634	+5
Keisei Ele Ry	3.5m	977	-43	Hitachi	2.5m	1030	+10

4 pm close August 12

NEW YORK STOCK EXCHANGE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE PRICES

4 pm close August 12

Continued from previous page

- V -

- W -

- T -

- U -

- X - Y - Z -

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
55⅝	38⅝	Xerox	1.16	2.1	46	3874	54⅞	53⅝	54⅞	+⅞
47⅝	38⅝	Xtra Corp	0.72	1.7	15	74	43¼	43⅛	43⅛	-⅛
25¼	20⅜	Yankee Ery	1.30	5.9	11	40	22	21½	22	+⅛
53¾	43⅞	York Int	0.36	0.8	21	1265	48	46⅝	47	-⅞
3⅝	3	Zapata	0.14	4.0	9	30	3½	3½	3½	-⅛
25¼	6⅝	ZeitNB			7	2930	11⅝	11⅝	11⅝	
30⅞	21½	Zenith Nat x	1.00	3.5	37	12	28½	28¼	28⅜	-⅛
7⅛	6½	Zenix Inc	0.72	10.1		177	7⅛	7	7⅛	+⅛
22⅞	15½	Zero x	0.12	0.6	15	127	21	20⅝	20⅝	-⅛
23¾	18½	Zurn Ind	0.40	1.9	16	291	21	20¾	20⅞	+⅛
11⅞	10½	Zweig Fund	1.08	9.9		128	11	10⅞	10⅞	
9	8¼	Zweig Total x	0.84	9.9		222	8½	8⅜	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
 d-new yearly low. P/E-price-earnings ratio. dd-sales; u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close August 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cambrex	0.13	15	8	31¼	31¼	31¼	+¼
Can Marc	0.14	29	10	9⅞	9⅞	9⅞	
Cdn Fd A	0.01		164	4⅞	4¹³⁄₁₆	4¹³⁄₁₆	
Centrco	0.30	14	27	21¼	21⅛	21⅛	+⅛
CmpTch		111	34	10¼	10	10	-¼
Compuimc		25	12	2⅜	2¼	2⅜	-⅛
Goldfield		8	748			¾	
HanDir		2	1726	1⅛	1⅛	1⅛	
Hasbro x	0.40	18	599	36½	36½	36⅞	+⅜
Health Ch		32	36	1⅞	1⅞	1⅞	-⅛
MSR Expl		10	8	¾	¾	¾	-⅛
NatPatDev		4	82	9½	8⅞	8⅞	-⅛
NY TmA	0.56	20	884	30⅞	29⅞	30⅜	+¾
NumacE		112	10	4½	4½	4½	
ViacomA		117	418	34¼	33½	34⅛	+⅛
ViacomB		121	3818	35⅛	34¾	35⅛	+⅜
WRET	1.12	16	77	12⅝	12¼	12¼	-⅛
Xytronix		3	131	2⅛	1⅞	1⅞	-⅛

NASDAQ NATIONAL MARKET

4 pm close August 12

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMERICA

Philip Morris slide takes Dow lower

Wall Street

A fall in the share price of Philip Morris sent the Dow Jones Industrial Average lower in early trading yesterday, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 28.85 at 5,652.46, while the more broadly based Standard & Poor's 500 had lost 3.03 at 659.07. The American Stock Exchange composite was 1.20 weaker at 549.60. Volume on the NYSE was 166m shares.

Philip Morris, which is the largest tobacco company in the US, added a decline of $9 or 9 per cent to the $3½ the shares had tumbled on Friday bringing them to $93.

Shares in most other leading tobacco companies had also fallen on Friday, and continued to fall yesterday, after a jury decided an action against Brown & Williamson, a holding of BAT Industries of the UK, which is the third largest US tobacco company.

BAT's ADRs fell $⅝ to $15 and shares in RJR Nabisco, the second biggest US tobacco group, fell $⅞ to $27⅞.

Technology shares were mostly weaker with the Nasdaq composite giving up 5.86 at 1,137.27, while the Pacific Stock Exchange technology index lost 0.7 per cent.

Compaq Computer shed $1¾ or 3 per cent at $55½. Gateway 2000 slipped $1¼ or 3 per cent to $39⅝ and Dell Computer lost $1½ or 3 per cent at $56.

NorAm Energy jumped $2⅞ or 25 per cent to $14½ after Houston Industries confirmed that it had agreed to purchase the gas utility in a deal valued at $3.8bn. Shares in Houston Industries slipped $¾ or 3 per cent to $22⅞ on the news.

Canada

Toronto saw a dramatic slump in activity as the TSE 300 composite index rose just 0.56 to 5,046.83.

Volume fell from 41.4m shares to 23.5m.

Greenstone Resources rose 45 cents to C$19 after it said that first results from a new drilling programme on the company's 100 per cent-owned Santa Rosa project in Panama indicated additions to near-term reserves.

At one point, Rothmans Canada looked as if it was going to respond to the tobacco industry's problems elsewhere, but after a low of C$111 it recovered to stand 50 cents higher at C$113.50 in midsession.

São Paulo weakens

The expiry of options in SAO PAULO later this week was making itself felt, while the interim results released by Telebras over the weekend, which had come within expectations, had little effect on trade. The Bovespa index was off 250 to 61,978 at midday.

Telebras, the state telecommunications holding company which has a dominant market capitalisation, said over the weekend that first half profits had risen by more than 300 per cent compared with the same 1995 period. The company attributed this to rising telecoms usage, revised rates and lower financial costs.

Telebras preferred was down 0.4 per cent at R$74.70 while its voting stock was off 3 per cent at R$61.10.

MEXICO CITY was showing a good performance by midday, with the IPC index up 32.68 or 1 per cent at 3,251.90, as hopes rose for lower domestic interest rates.

Dealers said that a number of positive statements about the market at the end of last week from US brokers had created a more positive feeling about equities in general.

BUENOS AIRES was lower at midday, as the Merval index slipped 5.49 or 1 per cent to 530.13.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.59	-2.45	-1.12	+11.75	+3.74	+3.53
Belgium	+1.07	+2.16	+15.85	+7.88	+4.26	+4.05
Denmark	+0.99	+0.77	+12.86	+11.93	+9.17	+8.95
Finland	+4.42	+4.04	-15.44	+10.79	+11.14	+10.92
France	-1.36	-2.64	+5.55	+15.07	+6.15	+5.93
Germany	+1.21	-0.20	+12.33	+12.29	+7.53	+7.31
Ireland	+1.29	+1.83	+17.14	+11.31	+11.96	+11.74
Italy	-2.60	-5.64	-10.68	+8.07	+3.21	+3.01
Netherlands	+0.01	-1.02	+20.82	+15.76	+9.06	+8.84
Norway	+0.22	-2.88	+8.06	+13.15	+8.15	+7.93
Spain	-1.96	-2.05	+16.82	+15.30	+6.92	+6.71
Sweden	+1.11	+1.75	+17.32	+13.26	+13.35	+13.12
Switzerland	+1.40	-3.48	+29.59	+12.63	+5.23	+5.01
UK	+1.14	+2.27	+9.87	+2.09	+3.96	+3.75
EUROPE	+0.50	-0.23	+11.56	+7.63	+5.94	+5.73
Australia	+0.53	+3.55	+2.61	-0.64	+4.54	+4.33
Hong Kong	+0.64	+0.90	+16.10	+12.24	+9.68	+9.46
Japan	-1.71	-4.36	+15.40	+6.17	-5.64	-5.82
Malaysia	+1.61	-3.22	+0.69	+13.45	+12.53	+12.31
New Zealand	-2.24	+2.14	-3.61	-2.36	+3.71	+3.49
Singapore	+0.28	-1.62	+7.96	+1.09	-3.60	-3.80
Canada	+0.53	+0.44	+9.04	+8.17	+7.84	+7.63
USA	-0.10	+2.65	+17.96	+7.27	+7.49	+7.27
Mexico	+1.47	+6.31	+25.95	+13.86	+19.71	+19.47
South Africa	-0.32	-2.44	+16.34	+12.16	-13.69	-13.87
WORLD INDEX	-0.26	+0.02	+15.00	+5.33	+3.73	+3.52

† Based on August 9th 1996.

EUROPE

Seita holds, but franc weakness hits Paris

European tobacco stocks were not all flattened by the award against Brown & Williamson in the US last Friday. In Spain, Tabacalera lost another Pta120 at Pta4,990, and in Switzerland Richemont shed SFr50 at SFr1,850. But in PARIS, after a low of FFr204.20, Seita managed to close unchanged at FFr215.

The French equity market also pulled itself off session lows, with the CAC-40 index ending the day down 11.37 at 1,978.17, after striking 1,970.23 earlier. Turnover remained light at FFr2.4bn.

The weakness of the franc remained uppermost in people's minds, while a batch of first half corporate sales data excited minimal interest, with most of the figures coming within expectations.

Usinor Sacilor, the manufacturer of stainless steel products, lost 20 centimes to FFr68.85 after reporting a 10 per cent drop in second-quarter sales. Gan, the insurer, slipped FFr1.5, or 1.2 per cent, to FFr125 in spite of a 10 per cent rise in first half turnover.

FRANKFURT was inspired neither by the start of the chemicals results season, nor by anticipation of carmakers' profits. The broad market waited for Wall Street to open lower on last Friday's tobacco injury award; the Dax fell in advance and recovered a little at the end, closing 3.82 lower at an Ibis-indicated 2,529.14.

Turnover fell from DM5.25bn to only DM4.2bn. In chemicals, Bayer's 13 per cent pre-tax profits gain left it 12 pfg lower at DM51.23; Henkel's 5 per cent rise saw its preferred shares 89 pfg lower at DM60.50, after their recent gains on long term restructuring prospects.

Among carmakers, Volkswagen put on DM3.30 to DM523.80 ahead of today's first half earnings; and Daimler 56 pfg at DM78.99 after it declined to comment on a Der Spiegel story that it would make a net DM2bn profit for 1996, after a DM5.7m loss last year.

MAN lost DM8.90, or 2.4 per cent, at DM355.60. Mr Theo Kitz at Merck Finck in Düsseldorf said that traders were anticipating second quarter results from the truckmaker and engineer within the next week or two. They might also have been depressed by weak order figures from the German engineering industry.

ZURICH had mixed pickings in financials as the SMI index fell 20.1 to 3,623.1, SBC rising SFr2.25 to SFr241.25 ahead of tomorrow's half year figures, Winterthur putting on SFr6 at SFr745 but UBS falling SFr8 to SFr1,185 - apparently unaffected by the decision by Mr Martin Ebner's BZ group to keep its equity stake of about 10 per cent in the banking group.

Apart from Richemont, there was another major faller in Sulzer, the engineering and medical technology group, less than buoyant since April's enthusiastic response to its recovery projections for 1996. Sulzer registered fell SFr13 to SFr740, perhaps on the sagging US dollar; one dealer blamed a newspaper article about possible claims against the company in connection with orthopaedic hip joints, but the company said last December that any possible claims would be within the scope of its normal product liability insurance.

AMSTERDAM was unable to pull itself out of negative territory and the AEX index finished off 0.77 at 548.71.

Turnover was seasonally low with investors also awaiting first half results later this week. ABN Amro, which reports its first half results on Thursday, was one of the day's exceptions, rising Fl 1.30 to Fl 93.80 as some investors took the view that the figures would exceed expectations. A consensus view favoured interim profits of around Fl 1.5bn, compared with last year's Fl 1.2bn.

Hunter Douglas, the manufacturer of aluminium window coverings, slipped Fl 1.90 at Fl 118.60 ahead of its interims due out today. Forecasts were for a profit of some Fl 64m, against Fl 50.4m in 1995.

MILAN featured a good showing from ENI, the energy company, which advanced L24 to L6,374 as the Comit index eased 4.59 to 596.38. However, the continuously traded Mibtel rose 11 to 9,542. Dealers commented that trading activity was very thin, while underlying sentiment remained negative because of worries that the government would have difficulty in gaining approval for its September budget.

ENI gained on bargain hunting after being penalised by many institutions last week worried that the group might suffer from a US initiative to impose sanctions on companies which had trading relations with Libya and Iran.

In telecommunications Stet fell L45 to L4,604 and Telecom Italia L22 to L2,818.

OSLO saw Kvaerner A down NKr7.50, or 3.1 per cent at NKr234.50 after the offshore engineer and shipbuilder reported a 60 per cent plunge in profits.

The total index fell 4.74 to 816.53 in turnover of NKr446m, one quarter, or NKr108m, of that in Kvaerner A. Meanwhile, Den norske Bank fell NKr0.20 to NKr20.80 ahead of today's results, and after reports that Norway's tax authorities might challenge DnB on its tax calculations.

ISTANBUL lost 1.3 per cent but traders said that this came in a market of low volume. The composite index shed 860.98 to 64,203.44 in turnover of TL7,500bn.

Brokers said that activity was highly selective, with investors mostly concentrating on the utility sector.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1634.70	1635.23	1635.15	1634.87	1634.88	1635.32	1634.10	1633.83
FT-SE Eurotrack 200	1696.33	1698.35	1698.26	1697.63	1697.82	1698.08	1697.08	1696.76

	Aug 12	Aug 9	Aug 8	Aug 7	Aug 6
FT-SE Eurotrack 100	1633.83	1637.69	1643.77	1641.25	1641.56
FT-SE Eurotrack 200	1696.76	1700.34	1705.39	1702.51	1693.46

Base value 1000 (26/10/90); High/day: 100 - 1635.63; 200 - 1699.28 Low/day: 100 - 1633.77 200 - 1696.28. † Partial.

ASIA PACIFIC

Shenzhen off 8% on fears of B share restrictions

Rumours that the regulatory authorities in Beijing were to prohibit mainland Chinese investors from buying B shares were reflected in SHENZHEN, where the index tumbled by nearly 8 per cent.

Although brokers said that they had not received official confirmation of the move, which would effectively ban domestic investors from trading the foreign currency-denominated B shares, many investors took fright. The B index dived 7.38 to 87.05.

According to reports, domestic investors would be prohibited from buying, but not selling, holdings in B shares.

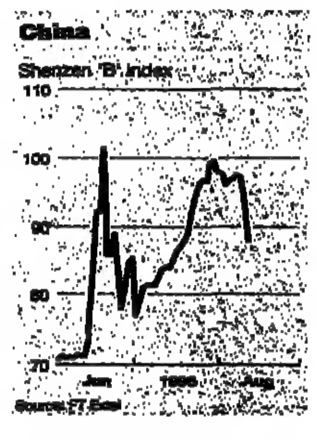
Hainan Pearl River Enterprise showed the session's biggest loss, down 30 cents, or 14 per cent, to HK$1.80, while Shenzhen International Enterprise, a retailer, fell 35 cents to HK$2.35.

The A index moved higher amid speculation on a possible cut in interest rates, up 4.62, or 1.6 per cent, at 284.56.

SHANGHAI followed its own agenda and was led higher on heavy trading in Shanghai Worldbest, a textile manufacturer, while the construction sector also performed well.

The B index rose 0.28 to 53.50 in turnover of HK$10.01m. Analysts were cautious on market prospects, noting that trading activity was being dominated by domestic investors, while foreign institutions remained mostly absent.

Worldbest gained 0.3 cents to 28.6 cents in volume of 10.5m shares. Construction shares were boosted by expectations of a recovery in the property market.



The A index, which charts shares available to domestic investors, gained 15.34 to 928.01.

Tokyo

Sentiment was lifted by foreign buying of international blue chips but activity was sluggish, due to the start of the Buddhist summer holiday week. The Nikkei average gained ground in the lowest trading volume for the year, *writes Emiko Terazono in Tokyo.*

The 225 index rose 115.55 to 20,660.60 after a low of 20,448.65, reflecting a fall in speculative stocks in earlier trading, and a high of 20,686.90 on small lot, overseas buying.

Volume totalled 216m shares against 369m. The figure was the lowest for the year, falling below the 228m share level posted on August 5. The Topix index of all first section stocks rose 3.08 to 1,570.52 and the Nikkei 300 by 1.05 to 293.07. Losers led gainers by 593 to 425 with 177 unchanged.

In London, the ISE/Nikkei 50 index rose 0.33 to 1401.09.

Higher bond prices, thanks to receding worries over an imminent rise in the official discount rate by the Bank of Japan, also helped share prices. Some investors had feared that the Bank would raise rates following the release of the tankan quarterly survey of business sentiment later this month.

Foreigners bought DDI, the long distance telecom operator, which rose Y21,000 to Y927,000. Reports that it will tie up with Motorola of the US to offer mobile telephone services in Brazil encouraged investors.

Speculative stocks closed mixed. TYK, the firebrick maker, was the most active issue of the day, rising Y30 to Y1,050. Individuals were heavy sellers of the issue in early trading, but later buying helped support the stock. Keisei Electric Railway lost Y43 to Y977.

Large capital steel companies lost ground. Nippon Steel fell Y6 to Y342, falling for the fifth consecutive day. Investors who bought the stock as a beneficiary of a rebound in the economy were taking profits, said traders.

High-technology stocks were higher. Toshiba rose Y13 to Y728, Hitachi Y10 to Y1,030 and NEC Y40 to Y1,180.

In Osaka, the OSE average fell 55.57 to 21,533.63 in volume of 124.2m shares. Kanematsu NNK, a speculative favourite, plunged Y350 to Y2,280. The stock was sold heavily in the morning session triggering profit-taking in other speculative shares.

Roundup

A significant slide in Telecom put pressure on WELLINGTON, the NZSE-40 capital index losing 28.93, or 1.3 per cent, to 2,120.34 in turnover of NZ$29m.

Telecom, down 14 cents at NZ$6.36, was affected mainly by profit-taking following a recent rally to NZ$6.77.

HONG KONG rose strongly on gains in the property sector in advance of results. The Hang Seng index put on 77.85 to 11,181.88 in turnover of HK$3.9bn.

Bank of East Asia went against the trend, down 30 cents to HK$28.90 ahead of today's interim results.

BOMBAY extended its recent declines in light volume, with the BSE 30-share index 38.75 lower at 3,458.98 on the tougher margins imposed by the Securities and Exchange Board of India.

The SEBI said on Friday that it was extending the mark-to-market deposit margin system to all 23 bourses across India – as against only a few screen-based bourses currently – to curb excessive speculation and prevent payment defaults. Under mark-to-market margins, brokers are required to deposit their notional losses at the end of each day with their respective bourses.

Indian bourses are closed on Thursday for Independence Day and quiet markets, said dealers, were likely to prompt investors to take four days off.

SINGAPORE was depressed by slower GDP growth and a loss at Creative Technology, which dragged down other electronics stocks. The Straits Times Industrial index fell 13.39 to 2,115.65, with Creative 55 cents, or 9.1 per cent, lower at S$5.50.

Industrials ease in S Africa

Industrials retreated just before the close as investors tracked movements on Wall Street.

Gold shares performed well, however, in spite of a decline in the price for bullion.

The overall index gained 2.6 to 6,668.5, the industrial index fell 7.5 to 7,896.1 and the gold index rose 12.9 to 1,795.6.

Among leading issues, De Beers put on R2.50 to R132 ahead of today's interim figures, Minorco rose R1.75 to R99 and Absa lost 65 cents to R21.35 and Kloof added 70 cents to R46.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 9 1996								THURSDAY AUGUST 8 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	198.26	-0.2	189.71	135.49	152.38	189.34	-0.2	4.26	198.70	190.09	135.85	153.35	189.61	212.18	177.98	183.80
Austria (24)	180.69	0.9	172.90	123.49	138.88	138.79	0.5	2.03	179.10	171.35	122.46	138.23	138.16	195.04	168.11	192.06
Belgium (27)	217.62	0.5	208.23	148.72	167.26	163.56	0.1	4.07	216.63	207.25	148.12	167.19	163.45	217.62	186.06	197.81
Brazil (28)	177.82	-0.2	170.15	121.53	136.68	331.12	-0.2	1.93	178.22	170.50	121.85	137.54	331.75	189.70	123.97	150.50
Canada (119)	159.77	0.0	152.87	109.19	122.80	158.76	0.1	2.25	159.76	152.84	109.23	123.30	158.64	165.12	134.14	147.83
Denmark (30)	314.62	-0.2	301.05	215.01	241.82	244.76	-0.5	1.88	315.16	301.51	215.48	243.23	246.06	315.16	276.89	292.15
Finland (23)	207.50	0.3	198.54	141.80	159.48	193.76	-0.3	2.56	206.87	197.92	141.44	159.66	194.38	278.11	171.73	259.25
France (95)	190.05	-0.2	181.85	129.88	146.07	150.67	-0.3	3.20	190.44	182.19	130.21	146.97	151.14	198.39	167.70	187.06
Germany (58)	175.66	0.0	168.09	120.05	135.02	135.02	-0.4	1.61	175.66	168.07	120.12	135.58	135.58	175.66	155.66	164.29
Hong Kong (59)	424.38	-0.5	406.07	290.03	326.16	421.58	-0.5	3.47	426.66	408.19	291.72	329.28	423.73	451.19	348.81	365.45
Indonesia (27)	191.21	0.0	182.96	130.67	146.96	274.66	-0.2	1.73	191.23	182.95	130.75	147.58	275.27	–	–	–
Ireland (16)	285.50	-0.6	273.18	195.11	219.44	249.90	-0.7	3.49	287.17	274.74	196.35	221.63	251.56	290.82	235.89	247.91
Italy (58)	75.92	-1.5	72.64	51.88	58.35	86.19	-1.5	2.49	77.08	73.74	52.70	59.49	87.47	84.53	67.22	81.40
Japan (481)	145.91	-0.6	139.61	99.72	112.15	99.72	-0.6	0.77	146.74	140.39	100.33	113.25	100.33	164.88	137.75	149.21
Malaysia (107)	544.84	0.4	521.33	372.35	418.76	522.66	0.4	1.72	542.52	519.03	370.93	418.70	520.45	585.09	425.77	546.11
Mexico (19)	1237.42	1.0	1184.04	845.66	951.08	10173.38	0.8	1.31	1225.29	1172.25	837.76	945.64	10093.76	1325.65	791.99	1203.20
Netherland (19)	298.84	0.2	284.03	202.86	228.15	224.60	-0.2	3.21	296.23	283.40	202.54	228.62	225.31	299.69	245.79	258.61
New Zealand (15)	82.44	-0.6	78.89	56.34	63.37	83.61	-0.8	4.27	82.90	79.31	56.68	63.98	83.98	84.71	75.94	82.26
Norway (35)	249.63	-0.2	238.86	170.60	191.86	216.70	-0.4	2.09	250.03	239.21	170.95	192.97	217.52	256.94	222.24	238.15
Philippines (22)	198.96	-0.4	190.39	135.98	152.93	259.75	-0.4	0.63	199.75	191.10	136.57	154.16	260.76	–	–	–
Singapore (44)	391.76	0.1	374.86	267.73	301.11	255.60	0.0	1.49	391.18	374.25	267.46	301.90	255.60	465.21	355.81	368.02
South Africa (44)	331.90	-0.1	317.58	226.82	255.10	329.02	0.0	2.28	332.30	317.92	227.20	256.46	329.02	437.76	329.57	358.83
Spain (97)	176.27	-0.8	168.67	120.47	135.49	168.15	-0.9	3.48	177.72	170.03	121.51	137.16	169.76	183.85	145.15	158.08
Sweden (48)	353.04	0.1	337.81	241.27	271.34	347.71	0.3	2.45	352.58	337.32	241.07	272.11	346.72	360.77	280.13	280.13
Switzerland (37)	247.82	0.4	237.13	169.36	190.48	184.95	-0.2	1.60	246.89	236.20	168.81	190.54	186.36	252.34	191.24	197.65
Thailand (45)	147.96	-1.6	141.58	101.12	113.72	145.32	-1.6	2.30	150.37	143.86	102.81	116.05	147.71	193.95	141.28	163.03
United Kingdom (199)	239.19	0.0	228.87	163.46	183.84	228.87	0.0	4.16	239.22	228.87	163.56	184.62	228.87	239.22	216.52	224.81
USA (625)	269.51	-0.1	257.89	184.19	207.15	269.51	-0.1	2.19	269.80	258.12	184.47	208.22	269.80	276.47	226.74	226.46
Americas (791)	246.30	-0.1	235.68	168.33	189.31	207.12	-0.1	2.19	246.53	235.86	168.56	190.27	207.31	252.43	208.19	209.80
Europe (706)	212.37	-0.1	203.21	145.14	163.23	182.86	-0.2	3.11	212.49	203.29	145.28	163.99	183.29	213.30	189.33	196.17
Nordic (136)	307.43	0.1	294.17	210.10	236.29	263.53	0.0	2.34	307.21	293.91	210.05	237.09	263.52	307.43	261.13	274.50
Pacific Basin (880)	159.12	-0.5	152.26	108.75	122.30	111.05	-0.5	1.24	159.92	152.99	109.34	123.42	111.64	177.01	148.86	159.78
Euro-Pacific (1586)	181.18	-0.3	173.37	123.82	139.26	138.16	-0.4	2.15	181.70	173.83	124.23	140.23	138.70	190.57	166.51	174.85
North America (744)	262.76	-0.1	251.43	179.57	201.98	262.14	-0.1	2.20	263.03	251.64	179.84	203.00	262.40	269.52	221.79	223.46
Europe Ex. UK (507)	192.81	-0.1	184.49	131.77	148.19	156.39	-0.4	2.53	192.95	184.60	131.93	148.92	156.97	194.86	169.66	176.36
Pacific Ex. Japan (399)	280.11	-0.2	268.02	191.43	215.29	242.68	-0.2	3.05	280.74	268.59	191.95	216.67	243.22	296.68	243.59	260.62
World Ex. US (1796)	182.44	-0.3	174.57	124.66	140.22	142.73	-0.4	2.15	182.92	175.00	125.06	141.17	143.24	191.55	167.36	176.02
World Ex. UK (2222)	206.57	-0.2	197.66	141.17	158.77	174.25	-0.3	1.97	207.01	198.05	141.54	159.76	174.73	213.05	185.61	186.78
World Ex. Japan (1940)	243.93	-0.1	233.41	166.70	187.49	229.93	-0.1	2.56	244.15	233.58	166.93	188.43	230.27	247.56	212.62	216.14
The World Index (2421)	209.42	-0.2	200.38	143.12	160.96	179.16	-0.2	2.17	209.83	200.74	143.46	161.94	179.63	214.95	186.49	191.92

 Latest prices were unavailable for this edition. Markets Closed 9/8/96: Singapore and South Africa.

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